

# Business Review and Summary Financial Statement

for the year ended 31 December 2015



**CELEBRATING 150 YEARS**  
*Beverley*  
Building Society  
1866 - 2016

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

# Business Review and Summary Financial Statement

for the year ended 31 December 2015

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## 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, supported by an unrivalled level of personal service.



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

*...an unrivalled level of personal service*

[www.beverleybs.co.uk](http://www.beverleybs.co.uk)

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Julie, Debbie, Sandra, Annette, Maria and Graham | The Mortgage Team  
All our mortgage team are CeMAP qualified

*...our members trust us*

# Society Performance

over the past 5 years

## Key Performance Indicators (KPIs)

The Board uses a number of KPIs to measure and monitor progress and performance. Whilst recent years have tested the financial services sector to the extreme, the Society has sought to ensure that its business 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 to show the progress the Society has made with the support and help of both members and staff.

There has been significant UK accounting policy change in 2015, UK GAAP has been replaced by a new accounting policy FRS102. The 2015 and 2014 Key Performance Indicators (KPIs), to the right, reflect this policy change whilst KPIs relating to 2013 and prior, are stated based on UK GAAP.



Kamal | Finance Manager  
Joined the Society in May 2013

## General Reserves

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



## Profit After Tax

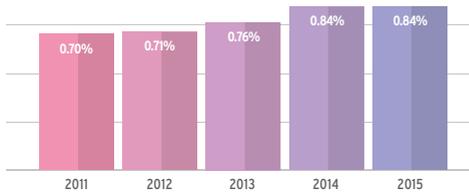
A reasonable level of profits is required to maintain the Society's capital ratios. The Society made £176k profit after tax, lower than the previous year due to higher mortgage provision costs within the legacy loan portfolio (£466k charge in 2015 versus £17k credit in 2014).

The performance of the business before mortgage provisions was broadly comparable to prior year (£689k in 2015 versus £757k in 2014), despite difficult market conditions where fixed rate mortgages predominate.



**Management Expense Ratio** (percentage of mean total assets)

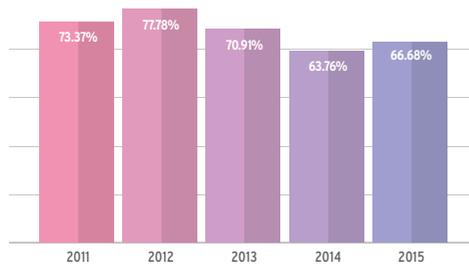
Management expenses have been closely managed and have reduced compared to prior year, despite increased investment in areas such as risk management. The decrease in asset size however, driven by reductions in the commercial lending portfolio, results in the management expense ratio being unchanged in the year.



Elliot | Accountant  
Joined the Society in August 2014

**Cost to Income Ratio**

Income has fallen by 5% in the year, reflecting the difficult mortgage market conditions. Despite the reduction of costs therefore, the cost income ratio has increased to 66.68% in 2015 (63.76% in 2014). This remains however significantly lower than historic levels, reflecting the Society's on-going careful management of costs.



**Total Mortgage Balances**

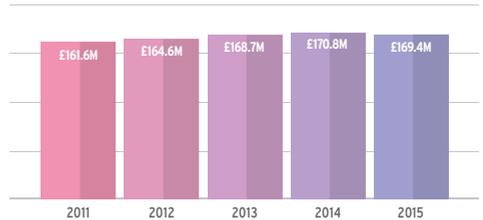
The decrease in the mortgage book reflects reductions in the commercial lending portfolio, in response to the historic decision to exit this market. The figures below are stated gross of mortgage loss provisions.



*...straightforward value for money products*

**Total Savers Balances**

The Society continues to ensure that the rates offered to members are in line with the market. The figures below exclude amounts owed to other credit institutions.



**Total Assets**

Total Assets have decreased by £5m in the year, primarily reflecting the reduction in the commercial mortgage portfolio.



# Chairman's Statement

for the year ended 31 December 2015

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**Brian Young**  
2 February 2016

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I am pleased to report that during my first year as Chairman the Society continued to deliver strong underlying profits and an improving Capital position. This has been achieved whilst also proactively reducing the risk in our legacy lending book.

**The Society has a robust strategic planning process, which involves the Board and all senior managers. The Society's strategic response to a broad range of environmental, market and regulatory challenges has been to focus on providing straightforward value for money products supported by an unrivalled level of personal service. The Society operates one of the lowest management expense ratios in its peer group and this strategy is designed to benefit members by containing some of the regulatory overhead, and therefore, allowing the optimum balance to be found between the rates offered to savers and borrowers while also continuing to strengthen the Society's capital position.**

Stuart Young talked last year about the burden of regulation and it shows no sign of abating, indeed it will intensify in 2016 as we see ever more strengthening of financial regulations, particularly in the areas requiring financial institutions to carry more appropriate levels of capital, senior managers becoming more personally accountable and more sophisticated risk management systems being required. This is obviously important to restore the credibility of financial institutions, especially the big banks. To give an indication of scale, the Society had four mandatory regulatory projects in 2014, nine in 2015 and there are 17 scheduled for 2016.

We have been proactive in meeting the increased regulatory requirements and were the first Society in our peer group to appoint a Risk Director to the Board. We continually assess our governance and control procedures and during my first 100 days as Chairman I completed a review of our corporate governance in line with the UK Corporate Governance Code and found our governance to be appropriate. We have also as a Board taken expert advice and will be introducing some enhancements to our governance in 2016 which will ensure we don't rest on our laurels and continue to seek further ways to offer you, our members, even greater levels of comfort.

One of the requirements of the UK Corporate Governance Code is that Non-Executive Directors should serve a maximum term. After the AGM, in line with the Code, Richard Miles will be stepping down after 10 years of terrific service to the Board, chairing the Audit and Compliance Committee and being an active member of the Risk, Assets and Liabilities and Remuneration Committees. Many of you will know Richard personally and his calm, insightful and thoughtful contribution will be greatly missed. I am pleased to welcome Martin Cocker on to the Board. Martin has had a distinguished career in the financial services sector and will take Richard's place as Chair of the Audit and Compliance Committee and will also serve on the Assets and Liabilities and Risk Committees. I have no doubt that Martin will be a very good addition to your Board.

The economy has shown signs of improvement in 2015 with employment rates rising, net disposable income growing and GDP back to more normal rates of growth. However, inflation has been virtually zero and the bank rate has remained unchanged for a record length of time. There are signs, with the U.S.A. moving their interest rates, that market rates may begin to move in 2016 but most commentators believe that whatever the movements are they will be small and will be introduced over quite a period of time. The consequence, of course, is that savers rates remain stubbornly low whilst mortgage rates continue to be very attractive. The Society will continue to monitor the market very closely and will respond appropriately for both savers and borrowers as the market moves. We have strategic targets set to ensure we remain competitive in the

market place for both whilst still providing the safe haven that our independent mutuality status affords.

Our residential mortgage book continues to strengthen and our loan to value ratio improves whilst the issues in the legacy book are being actively addressed. We are required to now report against a new set of accounting standards, FRS 102, and that has produced some changes in the size of our provisions, but the Society remains constant in its conservative approach in these matters.

Peter Myers will outline our strategic plans in his report and particularly how we will commemorate our 150th anniversary but I would like to take this opportunity, on behalf of the Board and our members, to congratulate the whole of the Beverley team for being recognised as the Best Local Building Society by the Mortgage Finance Gazette. Offering friendly unrivalled service and an appropriate balance between saver and borrower rates is the essence of what we try to deliver and being recognised as the best against our peers is something for us all to be very proud of.

In summary, the Board recognises the market and regulatory challenges facing your Society, we have regard to industry best practice such as the UK Corporate Governance Code, we have a carefully thought through strategy which is working and we have the right people in place to continue delivery.

I have enjoyed my first year as your Chairman and I hope to see as many of you as possible at our AGM and at our various events being held in 2016.



Members Coffee Afternoon

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

# Chief Executive's Review

for the year ended 31 December 2015



**Peter Myers**  
27 January 2016

The Society has delivered another consistent performance for members with profit after tax of £176k, reflecting an appropriate balance between generating sufficient profit after tax to protect the Society's capital position, prudent provisioning against historic lending and setting appropriate rates for savers and borrowers.

We were particularly proud to be named as the Best Local Building Society by the Mortgage Finance Gazette. The award reflects the Society's vision, value for money, competitive products, consistent rates and excellent customer service.

The mortgage market is currently dominated by fixed rate products, with the Times estimating that up to 96% of new mortgages in the UK are fixed. The Society currently chooses not to offer fixed rate mortgages because we feel that the risks which attach to managing and hedging these products are not in the interests of members. However, the Society still lent over £19m of residential mortgages and these now make up over £100m of the Society's lending book.

The gross lending book did reduce in 2015 from £151.4m to £147.7m. However, this reflects repayments, following the Society's historic decision to exit the commercial lending market.

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.

While it has been necessary to reduce savers rates during the year, the Society does 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 and Junior ISA remain 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'.

During the year the Society launched an interest only mortgage in response to clear customer demand, particularly from older borrowers, for a product which optimised their cash flow. The Society will continue to monitor feedback from existing and potential members, about new products you would value, and the Society could offer, without compromising our conservative approach to risk.

The regulatory environment in which all financial services firms operates continues to introduce new requirements and in 2015 the Society implemented 9 regulatory change programmes. In 2016 there will be 17 regulatory change programmes. While regulation is necessary it creates both a resource and a cost challenge which must be factored into the Society's financial forecasts. The Society employs high calibre staff, and in 2015 recruited Lesley Wegg, who previously worked for Lloyds TSB, as Head of Operations. There will be further recruitment in 2016 to ensure the Society continues to be well placed to meet the challenges ahead.

The macro environment continues to be challenging, with terrorist threats, falling commodity prices, deflation and relatively low interest rates. 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.

In 2016 the Society celebrates its 150th anniversary. To mark the occasion the Society has a number of initiatives planned.

Action Duchenne has been chosen as the Society's 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.

The Society will also be hosting a dinner for 150 people at Beverley Race Course on 23rd June. Any members interested in attending should enter the draw by completing the box incorporated in the voting section of the AGM mailing. Invitees will be drawn by the Electoral Reform Services.

There will also be a series of other local events that the Society will support. These include the Beverley Folk Festival, Driffield Agricultural Show, Beverley Food Festival, Cycle Races and a 150 balloon release. Details of these and other events will be announced in the branch, local press and social media (please follow the Society on twitter @BeverleyBS).

I would like to thank all members for their support and I look forward to meeting as many of you as possible, at one of our anniversary events, where you can also collect one of the Society's special edition 150th anniversary money boxes.



**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

# Board of Directors

for the year ended  
31 December 2015

From left to right standing:

## Richard Pattinson

Non-Executive Director,  
Senior Independent Director

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

## Peter Myers

Chief Executive

Joined the Board in September 2011. Member of the Assets and Liabilities, Lending, Nominations and Risk Committees. Chartered Banker with 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 Lending 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. Chairman of the Lending Committee and 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:

## Mark Marsden

Risk Director

Appointed to the Board in November 2014. Member of the Assets and Liabilities, Risk and Lending Committees. Experienced risk and compliance professional with 14 years retail lending and deposit taking experience.



**Brian Young**

Non-Executive Director, Chairman

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

**Richard Miles**

Non-Executive Director

Joined the Board in 2006. Chairman of the Audit and Compliance Committee and member of the Remuneration, Assets and Liabilities and Risk Committees. Qualified Chartered Accountant.

**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' Remuneration Report

for the year ended 31 December 2015

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**Sue Symington**

Chair of the Remuneration Committee

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This report explains how the Society has regard to the principles in the UK Corporate Governance Code 2014 relating to remuneration.

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 page 13.

## 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, a concessionary mortgage rate, 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 three 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  
2 February 2016



Accountant Elliott Presenting Charity of the Month Donation to Teenage Cancer Trust

## Directors' remuneration (audited)

Directors' emoluments	2015	2014
	£000	£000
For services as a Director	87	90
For executive services	319	255
<b>Totals</b>	<b>406</b>	<b>345</b>

Emoluments of the Society's Directors are listed below	Fees	Fees
	£000	£000

For services as a Director		
S L Young (Chairman, Retired 27 April 2015)	7	22
B Young (Chairman and Chairman of the Nominations Committee)	20	14
R M Miles (Chairman of the Audit and Compliance Committee)	15	14
R A Pattinson (Senior Independent Director and Chairman of the Assets and Liabilities and Risk Committees)	16	14
M R Heenan (Chairman of the Lending Committee)	16	14
S A Syminton (Chair of the Remuneration Committee)	13	11
<b>TOTALS</b>	<b>87</b>	<b>90</b>

	Salary	Benefits	Pension	Total
	£000	£000	£000	£000

### For executive services

#### 2015

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

#### 2014

P E Myers (Note 1)	128	8	3	139
M A Wilmot (Resigned 31 July 2014 - Note 2)	36	4	3	43
J E Bedford (Appointed 6 May 2014)	53	1	5	59
M Marsden (Appointed 3 November 2014)	12	-	2	14
<b>Totals</b>	<b>229</b>	<b>13</b>	<b>13</b>	<b>255</b>

**Note 1:** Included in the salary of P E Myers is £11k which represents cash payments in lieu of pension (2014: £8k).

**Note 2:** M A Wilmot resigned as a Director on the 31 July 2014. In addition to the amounts shown above, he received a £30k payment and a £10k benefit (representing the market value of his company car), relating to compensation for loss of office.

# Corporate Governance Report

for the year ended 31 December 2015



**Mark Marsden**  
Risk Director

The Financial Reporting Council updated the UK Corporate Governance Code in September 2014. Although the Code does not directly apply to mutual organisations, the Society has regard to its principles as they apply to a building society.

## 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:

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

There are usually eleven meetings a year together with two days focused 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 six committees to which the Board delegates the following responsibilities:

### Audit and Compliance Committee

The Committee, chaired by Richard Miles, 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 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 members of the Committee are Brian Young and Richard Miles. Further details can be found in the Directors' Remuneration Report on page 10.

### Lending Committee

The Lending Committee, chaired by Mike Heenan, meets on a monthly basis to review mortgage applications where applicable and to ensure all regulatory reporting requirements as regards lending are met. It is also responsible for the ongoing monitoring of the Society's mortgage book and reviews the Society's Lending Policy Statement, Arrears Management Policies and Mortgage Loss Provisioning Policy. The other members of the Committee are Sue Symington, Peter Myers (Chief Executive), Mark Marsden (Risk Director) and Graham Carter (Head of Lending).

### Assets and Liabilities Committee

The Assets and Liabilities Committee, chaired by Richard Pattinson, meets on a monthly basis to manage the Society's balance sheet in terms of 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 Miles, 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 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 Richard Miles, 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	Lending	Assets and Liabilities	Remuneration	Nominations
<b>Non-Executive Directors</b>							
B Young	11 (11)	1 (1)	1 (1)	4 (7)	4 (4)	1(1)	2 (2)
S L Young (to 27 April 15)	4 (4)			3 (3)			1 (1)
R M Miles	11 (11)	4 (4)	4 (4)		10 (10)	1(1)	
R A Pattinson	10 (11)	4 (4)	3 (4)		9 (10)		
M R Heenan	10 (11)	4 (4)	4 (4)	9 (10)			
S A Symington	11 (11)			10 (10)		1(1)	3 (3)
<b>Executive Directors</b>							
P E Myers	11 (11)		4 (4)	10 (10)	8 (10)		3 (3)
J E Bedford	11 (11)		4 (4)		10 (10)		
M Marsden	11 (11)		4 (4)	10 (10)	10 (10)		



Richard Pattinson Non-Executive Director, Mark Marsden Risk Director, Graham Carter Head of Lending and Peter Myers Chief Executive at Driffield Show

## 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 on 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.

## 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. »



Sophie

Joined the Society in May 2015

## » 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 on joining the Board and should regularly update and refresh their skills and knowledge.

### Board Comment:

The Society provides a formal induction 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 Director's performance and effectiveness. These needs are usually met by attendance at industry seminars and conferences.



Rebecca  
*Joined the Society in September 2015*

## 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 the 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 within the Annual Report and Accounts. »



Jessica

*Joined the Society as an apprentice in February 2016*

## » 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, 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 within the Annual Report and Accounts. 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 three 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 14. The Committee meets four times a year and on occasion the members of the Committee meet with the external and internal auditors without the Executive Directors present.



Beverley Cycle Race

## Remuneration

The Directors' Remuneration Report on page 10 explains how the Society has regard to with 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.

*...value for money products*

### B Young

Chairman

2 February 2016



Marketing Manager Ed Davies Presenting Charity of the Month Donation to When you Wish Upon a Star

# Summary Financial Statement

for the year ended 31 December 2015



**Janet Bedford**

Finance Director

This financial statement is a summary of the information in the audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand at the principal office of Beverley Building Society from 31 March 2016.

Approved by the Board of Directors on 2 February 2016 and signed on its behalf by:

**B Young** Chairman  
**P E Myers** Chief Executive  
**J E Bedford** Finance Director

## Summary Directors' Report

### Capital

At 31 December 2015 gross capital has increased to £12.6m (2014: £12.4m) or 7.44% (2014: 7.11%) of shares and borrowings. 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 £223k (2014: £774k). The net profit for the year after taxation was £176k (2014: £614k) and has been added to the general reserve which now totals £9,360k (2014: £9,181k). Profit has reduced year on year due to higher mortgage provisions costs within the legacy loan portfolio (£466k charge in 2015 versus £17k credit in 2014). The performance of the business before mortgage provisions was broadly comparable to prior year (£689k in 2015 versus £757k in 2014), despite difficult market conditions where fixed rate mortgages predominate.

The results for 2015 and 2014 have been impacted by the change of accounting policy, from UK GAAP to FRS102, the impact of this change is outlined in detail in Note 27 of the Annual Report and Accounts.

### Total assets

The total assets of the Society at 31 December 2015 were £182.5m (2014: £187.5m) a decrease of £5m or 2.7%. Total assets have reduced primarily due to a decrease of £3.6m in the gross mortgage portfolio, reflecting a reduction in the commercial lending portfolio.

### Liquid assets

Liquid assets in the form of cash and securities at 31 December 2015 were £34.9m (2014: £35.9m) representing 20.59% (2014: 20.57%) of shares and borrowings.

A more detailed review of events, the performance of the Society and the financial position at the year end can be found on pages 2 to 7.

Result for the year	2015	2014
	£000	£000
Net interest receivable	2,285	2,403
Other income and charges	38	39
Administrative expenses and depreciation	(1,549)	(1,557)
Provisions for bad and doubtful debts	(466)	17
Provisions for contingent liabilities and commitments		
FSCS levy	(85)	(128)
<b>Profit for the year before taxation</b>	<b>223</b>	<b>774</b>
Taxation	(47)	(160)
<b>Profit for the year</b>	<b>176</b>	<b>614</b>

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Financial position at the end of the year

	2015	2014
	£000	£000
<b>Assets</b>		
Liquid assets	34,874	35,913
Mortgages	146,119	150,137
Fixed and other assets	1,533	1,436
<b>Total assets</b>	<b>182,526</b>	<b>187,486</b>
<b>Liabilities</b>		
Shares	149,253	145,273
Amounts owed to credit institutions	-	3,753
Borrowings	20,105	25,568
Other liabilities	506	366
Provisions for contingent liabilities and commitments	70	110
Subordinated liabilities	2,750	2,750
Revaluation reserve	482	485
General reserve	9,360	9,181
<b>Total reserves and liabilities</b>	<b>182,526</b>	<b>187,486</b>



Ed, Rebecca, Sophie and Jessica  
Our newest recruits

### Summary of Key Financial Ratios

	2015	2014
	%	%
Gross capital as a percentage of shares and borrowings	<b>7.44</b>	7.11
Free capital as a percentage of shares and borrowings	<b>6.90</b>	6.61
Liquid assets as a percentage of shares and borrowings	<b>20.59</b>	20.57
Profit for the year as a percentage of mean total assets	<b>0.10</b>	0.33
Management expenses as a percentage of mean total assets	<b>0.84</b>	0.84

### Explanation of Key Financial Ratios

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

The gross capital ratio gives an indication of the extent to which the Society is funded by retained earnings compared with retail and non-retail shares and deposits. Gross capital provides a financial buffer against any losses which might arise from the Society's activities and therefore protects investors.

The liquid assets as a percentage of shares and borrowings ratio is a measure of the proportion of the Society's shares and borrowings that are either in the form of cash or readily convertible into cash. Beverley Building Society has a liquid assets ratio in line with those of other societies, and which the Directors consider is appropriate to the activities of the Society.

Mean total assets are calculated as the mean of the 2014 and 2015 total assets, as shown in the balance sheet.

The ratio of profit for the year as a percentage of mean total assets measures the proportion which the profit after taxation for the year bears to the average balance of the total assets during the year. The ratio is similar to a company's return on assets. The Society needs to make an adequate level of profit each year in order to maintain its capital ratios at a suitable level to protect investors.

The ratio of management expenses as a percentage of mean total assets measures the proportion which administrative expenses as reported in the document bear to the mean of total assets. The Board considers that this ratio is a meaningful measure of the cost required to administer the assets of the Society.



# Independent Auditor's Statement

to the Members and Depositors of  
Beverley Building Society

We have examined the summary financial statement of Beverley Building Society ('the Society') for the year ended 31 December 2015 on pages 22 to 25.

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement 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 and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditor

The Directors are responsible for preparing the summary financial statement within the Business Review and Summary Financial Statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Business Review and Summary Financial Statement with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

## Basis of opinion

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2015, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2015.

We also read the other information contained in the Business Review and Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our report on the Society's full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

## Opinion on summary financial statement

On the basis of the work performed, in our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2015 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

## Richard Gabbertas

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 Sovereign Square, Sovereign Street, Leeds LS1 4DA  
2 February 2016



Annette, Andrea, Hannah, Laura & Sophie at Driffield Show

# 2015: Charities of the month



January | Beverley Community Church



February | Dove House Hospice  
Iceland Trek



March | MND Association



April | Osprey



May | Mind HEY



June | Volunteer Uganda Limited



July | Beanstalk



August | Teenage Cancer Trust



September | Leukaemia & Lymphoma Research



October | Wish Upon a Star



November | Alzheimer's Society



December | HERIB

# 2015: Events supported



Annual General Meeting



Annual General Meeting



Annual General Meeting



Beverley Folk Festival



Driffield Show



Driffield Show



Beverley Cycle Race



Beverley Literature Festival



Beverley Food Festival



Mortgage Finance Gazette Award



Molescroft Christmas Fair



Beverley Christmas Lights



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

**BEVERLEY BUILDING SOCIETY**  
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Fax: 01482 872680

[www.beverleybs.co.uk](http://www.beverleybs.co.uk)  
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