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BEVERLEY

BUILDING SOCIETY

Building Better Futures

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BUILDING SOCIETY

Building Better Futures

Member Review

Including Summary
Financial Statement
for year ended
31 December 2019

Beverley Building Society
57 Market Place, Beverley
HU17 8AA

Call 01482 881510

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Leading Light, Richard's
story – 12 & 13

The Society is a member of the Building Societies Association.

It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered Number 206064.

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Welcome

A major priority has been reviewing our approach to mortgages, to focus even more on common sense lending for borrowers with more complex needs.

Karl Elliott, Chief Executive

As we prepare for our 2020 AGM, I'm delighted to share highlights of another positive performance for your Society during 2019, as we evolve our 'Building Better Futures' strategy.

In the ensuing pages, you'll discover more about our financial results and how we achieved them through our commitment to delivering outstanding personal service, enhancing our products for members and sharing our success with our communities. You'll find highlights on pages 4 & 5 and my full CEO's Review online at beverleybs.co.uk/annualreport2019. On 6 & 7, Chairman Stuart Purdy reflects on 2019, the economic climate and what's in store for 2020.

A major priority has been reviewing our approach to mortgages, to focus even more on common sense lending for borrowers with more complex needs often not met by mainstream providers – including people borrowing in later life, the self-employed and those building their own homes. On pages 8 & 9, we hear from member Janet Gale about how we helped her and husband Denis. Such efforts helped us increase our total mortgages by two per cent to the highest-ever level, at over £152m.

On pages 10 & 11, borrowers John and Sue Chambers describe how borrowing in later life needn't be a headache, after we helped them remortgage their home aged 70, when everyone else refused. Then, on 12 & 13, esteemed actor and co-founder of East Riding Theatre, Richard Avery, explains why he chose to save with the Beverley instead of a larger high

street name. Despite historically low interest rates meaning a challenging environment for savers, we maintained our long-standing commitment to transparent, good value rates and excellent service, resulting in a modest increase in overall savings. The average rate we paid our savers was more than one per cent, well above the banking sector average. We plan to issue fixed rate savings bonds in 2020 to support our move into fixed rate mortgages, which we believe will be a welcome addition.

Members continued to respond very positively to our customer satisfaction survey, many of them, like Richard, referencing our excellent personal service. We will continue to listen to and understand our customers' requirements, to ensure we go on providing the right products and services in a manner that works best for you.

Pages 14 & 15 take a look at how we gave back to our community during 2019. We ask you to suggest the things you would like to see us contributing to in the future, as we prepare to review our community strategy in 2020.

Finally, on 16 & 17 you can 'meet' our board of directors. Our Directors' Remuneration Report is on pages 18 to 21, pages 22 to 29 feature our Summary Financial Statement and you'll find our Independent Auditor's Statement on 30 & 31.

Enjoy reading and we look forward to working with valued members like you to continue building better futures in the coming year and beyond.

2019 highlights

At a glance summary of how your Society performed over the past 12 months

12 'Charities of the Month', chosen by our members, received

£250

each in 2019

£6,400

for community partners in our region, including Beverley RUFC and Beverley Grammar School Sixth Form's football team

Retained over **77%**

of mortgages reaching the end of their original offer

£2,000

helped fund East Riding Theatre's new production Horseshoes for Hand Grenades

New and existing members consistently rated us

5 out of **5**

for service

Focused on customers

underserved by the mortgage market, including retirees, the self-employed, first-time buyers and 'mortgage prisoners'

Continued to invest

in our people, and in product, service and infrastructure improvements under 'Building Better Futures' strategy

Now **100%** funded by members' deposits (all 'subordinated debt' repaid)

Average saving rate of over **1%** - significantly above the banking average

Mortgage portfolio at all-time historic high of **£152.3m**

Lent

£25.8m

to homeowners, up

16% year on

year and the highest in five years

No executive bonuses

– all profits are invested in your Society

Pre-tax profit of

£177k



Review of the Year

We remain true to our regional roots and the mutual values of support, self-help and shared community.

Stuart Purdy, Chairman

It is my pleasure to have completed my first full year as Chairman of your Society. Our Annual General Meeting last April provided a great opportunity to get to know members and I look forward to meeting you, and receiving your feedback, during 2020.

Your Society enters its 154th year financially robust and with an intent to be as relevant as ever to people and families aspiring to own and stay in their own homes. **We are grateful that you continue to rely on and trust us to provide you with common-sense lending and fair-value savings, delivered with a real focus on personal service and care.** We believe it is these things that distinguish Beverley Building Society, and ensure we continue to build your support.

The UK mortgage and savings markets are complex and ever-changing regulation and new technology have a real impact on our members. Against this backdrop, the Beverley consistently offers straightforward, good value products, with a focus on long-term sustainability. We provide a safe, secure and reliable home for members' finances at a time when our competitors are increasingly moving to online-only solutions.

Subdued economic growth and continuing uncertainty created by Brexit and a general election, now combined with the outbreak of Covid-19, have caused uneasiness for businesses and members alike. There was no interest rate movement from the Bank of England in 2019, but as of March 2020 the base rate has been reduced to 0.25% to mitigate the effects of an expected economic downturn. The Society remains watchful for further developments and is well placed to respond to any challenges that may emerge.

Against this backdrop, our region has again experienced positive house price inflation in 2019, growing at 1.6 per cent compared to the national average of 1.4 per cent, with re-mortgaging, rather than house purchase, continuing to dominate.

Our response is our Building Better Futures strategy, which focuses on delivering products and services in the best way to meet the needs of our Beverley 'hometown', our region, and nationally. **In 2019, this specifically meant serving the borrowing requirements of those approaching and in retirement, the self-employed, first-time buyers and people looking to build their own homes,** while providing a safe and accessible place on the high street for our savers' hard-earned funds.

In 2020, we will continue to expand those product areas our members need most.

We are very encouraged by our overall 2019 performance, helping more members to own or remortgage their homes and save for their futures. Savings balances were maintained and gross new lending increased, while maintaining our Net Interest Margin. Together with the continued loyalty of existing borrowers, this means our book of mortgages is now at its highest-ever level. A full review of our financial performance can be found in our Summary Financial Statement on pages 22 to 29.

We remain true to our regional roots and the mutual values of support, self-help and shared community, with over 90 per cent of our savers and 65 per cent of our borrowers living in our region. Just under 50 per cent of our gross new lending comes direct to the Society's branch, the rest resulting from our ever-expanding relationships with mortgage intermediaries.

Our branch remains key to maintaining members' access to our services and gives our colleagues the opportunity to display their outstanding commitment to customers, day in, day out.

We continue to invest back into our region through our charitable giving, increased employment and, where possible, sourcing suppliers from within our local community.

Your Board continues to challenge itself to ensure we are operating effectively and in the best interests of our members, giving equal balance to both governance and strategic progress. We have implemented a new board calendar, providing more time for key strategic, governance and operational matters and, where appropriate, we utilise outside expertise to inform and complement our existing board skills.

A critical element of effective governance is succession planning, ensuring we continue to have the skills and capabilities we need to meet our obligations and serve our members' interests.

Richard Pattinson, Chairman of our Risk Sub Committee and Senior Independent Director, will be standing down in September 2020 after nine years of outstanding service. We spent the latter half of 2019 considering candidates with suitable skills to join the Board and I'm delighted that, following a thorough process involving external consultants, the Board have approved the appointment of Esther Morley, who brings significant lending and executive experience. Her arrival will further bolster our board capability and ensure an effective handover with Richard. In line with good practice, the Board recommend Esther's election at our AGM in April. They also recommend the re-election of our CEO, Karl Elliott; our Chair of Audit & Compliance, Martin Cocker; our Chair of People & Culture, Sue Symington, and our Non-Executive Director, Mike Heenan. Further details of each can be found on pages 16 & 17.

We have carried out a thorough selection process to replace our current auditors, KPMG, who will stand down after this year's audit. We have selected PWC (PricewaterhouseCoopers) as our auditors for 2020, and have already begun a seamless handover and transition ahead of their formal commencement in 2020. As such your Board recommends them for your approval.

While we anticipate that uncertainty and competitive pressures will continue indefinitely, **we believe our strategy is an enduring one that will continue to resonate with those seeking a financial services provider they can trust to act with their needs and interests at heart.** Serving our members and their communities well will continue to be our biggest focus and, despite the ever-changing market and economic environment, the Board believe the Beverley will become ever more relevant both to members and our local community in the years ahead.

Thank you for your support in 2019. I look forward to meeting some of you at our AGM in April, or at one of our member events throughout the year.

Meeting borrowers' changing needs

The past year has seen us looking back to ensure we meet the needs of future generations.

A huge focus of 2019 was revisiting our mortgage offering against the backdrop of today's world. 'What is it that our current and future members REALLY need from us?', we asked ourselves. Finding the answer meant going right back to the beginning, to our founding purpose as a mutual building society, of helping ordinary people to buy their own homes.

Back then, it was as simple as making home ownership, in general, available to the general public, rather than just the wealthy.

Now, it is more subtle than that. Factors such as people living longer and needing to access equity to fund their retirements, choosing to work for themselves, wanting to build their own home their own way, or needing assistance from family members, are all typical of the '2000s'.

Moving with the times

So, we've decided to tailor our common-sense lending approach to those kinds of specific needs, by specialising in later-life, self-employed, self-build and family-assist mortgages.

Another recent example of how we are trying to address a social need through our lending, is our mortgage for borrowers trapped in expensive deals because their existing lenders won't offer them a new one. But these are really just examples. The point is that we're not 'computer-generated'. We're powered instead by experienced, knowledgeable and caring human beings who have the time and space to really get to know our customers and their circumstances, and try to find a way of saying 'yes'.

A listening ear

Our Head of Lending, Graham Carter, explained: "Our mortgage team have served generations of families and between them have decades of expertise which enables them to think outside the box, and we want potential borrowers to feel that, above all, they can come in or pick up the phone and talk to us.

"Even if we can't help them there and then, we'll offer suggestions for improving their situation in the future.

"We focus on delivering mortgages people need, swimming against the tide of tick-box decision-making that's sweeping today's financial services industry. Instead, we offer personal care, understanding, experience and a desire to help as many borrowers as possible, even if their circumstances are complex."

At the same time, we're investing in new technology, where appropriate, to support the personal service our customers tell us they value so much, and which is reflected in their consistently five-star feedback. This will shortly include a new system to enable existing borrowers to carry out simple product switches when their current schemes mature.

We fund 100 per cent of our mortgages from savings deposits, preserving our original mutual operating model and running the business prudently, maintaining our financial strength for all our members' benefit.

All things considered...

Janet and Denis Gale knew the Society was the place to go, to bring their unusual remortgage plan to fruition.

Janet and Denis Gale have been with the Society since 2006, when we provided the mortgage for an apartment they bought to rent out.

Fast-forward to 2018 and the couple, from the outskirts of Hull, made a major decision to transfer the mortgage on their business premises – a new purpose-built factory for the successful fabrication business Denis started over 35 years ago on Sutton Fields in Hull – to their home. And Janet knew she wanted the Society to handle this for them.

She said: "I'd always liked the way the Society had treated us. We wanted to be sure we would be listened to like financial institutions used to do in the old days, we wanted a personal touch. So, we popped in to see the team and they advised us on everything we needed to do."

Janet was concerned that, as a couple then in their 60s, age might be a hindrance to their remortgage, but she needn't have worried. "It ended up being really easy," she added. "We had to find a lot of paperwork but they made it as simple as possible for us and we dealt with one person throughout the whole process – Jess – who was fabulous.

"If we had any worries or questions we could ring or just pop in to the branch and talk to them, and they were always able to answer our queries."

This accessibility and friendly support really matters to the Gales. "Other mortgage providers tell you to go online and apply, but that's not good enough for us. We knew we'd get a proper service at Beverley Building Society," added Janet.

Borrowing later in life needn't be a headache



The Society's door was open to John and Sue Chambers when others' were firmly closed.

John and Sue Chambers have been with the same bank for over 55 years but, when it came to continuing their mortgage arrangements as they got older, that loyalty counted for nothing because the bank had a strict policy of not lending to those over 70. Using the equity tied up in their home of 33 years has always been part of John and Sue's overall financial and investment strategy, and therefore finding that their mortgage arrangement was about to come to an end meant shopping around for a remortgage. And that's when the East Yorkshire couple found that advancing years meant this was not a straightforward exercise.

An internet search for 'later life' mortgages seemed to offer many solutions but the reality was somewhat different, as John explained: "I treat our mortgage as part of our overall financial planning and therefore remortgaging rather than paying off our home was key to our wider plans. I started to shop around and had a very frustrating time with lenders that claim to help older borrowers in retirement, but actually don't make it easy at all."

The retired engineer and businessman found himself having to complete reams of application forms at various stages even though he and his wife, a retired teacher, were well within the loan-to-value and 'affordability' criteria required.

"I don't have a problem with providing detailed financial information online, but I imagine dealing with faceless organisations in this way could deter many.

"At one point I thought the next request would be for our blood groups and eye colour! The whole exercise was becoming so long-winded that I started looking at Equity Release schemes even though their 'whole of life' nature didn't suit our requirements."

Break in the clouds

However, one day John and Sue were taking one of their regular walks through Beverley and noticed our window displays. He added: "As soon as we got home I visited the Beverley's website, made an appointment and, within a week, had a remortgage offer in place. It was such a relief to be dealing face-to-face with Head of Lending Graham, who completed all the paperwork there and then, leaving just a few formal documents to provide, which we dropped off the following day.

"He also arranged all the conveyancing and valuation requirements. I just wished I'd thought about the Society before, as their local area knowledge and in-house decision-making would have avoided weeks of frustration."

Busy retirement

With a career in senior engineering and general management across many industries in the UK and abroad, John took early retirement at the age of 50 but quickly became bored so, with others, started setting up various business

ventures. Inevitably, he was soon back on 12-hour days and eventually retired permanently 10 years ago. Meanwhile, teacher Sue continued as Head of Sixth Form at a local school for a few more years.

Now fully retired, the couple are actively involved in the local community and sports clubs, gardening and the occasional holiday.

"Sue's the designer and weeder and I'm the builder and labourer," said John, who has always enjoyed converting their houses and building new structures for the gardens (he's almost doubled the living space in their current house).

"One of the most satisfying projects was converting our eldest daughter's flat into a two-storey apartment. That was six months of pure DIY and project management indulgence! She and her husband are now looking for something bigger and already talking to the Society about new mortgage arrangements," John added.

"I'd recommend them to anyone, of any age. They make everything so quick, simple and relaxing."

Providing the personal touch

It's no secret that our people go out of their way to provide a truly personal service and build a relationship with our customers.

Head of Lending, Graham, said: "It was a real pleasure to support John and Sue with their remortgage and it's amazing to hear such wonderful feedback. We would never turn anyone down purely because of their age, and my advice to anyone looking for a 'later-life' mortgage – or indeed any type of arrangement that requires a little more time and effort – is to give us a call or pop in to see us and we'll do our best to help."

"It was a real pleasure to support John and Sue."



Leading light

Richard treads the boards knowing his savings are secure.



We love interacting with our customers for all sorts of reasons. One of the chief ones being how downright interesting you are!

Our borrowers and savers cover the entire spectrum of trades and professions, and one such example is Richard Asbury, who might well be better known to many fans of theatre and TV drama by his stage name, Richard Avery. The professional actor and director has been a loyal Beverley Building Society customer since 2008, when he chose to open a savings account with us.

"I'm very keen on supporting local businesses," Richard explained. "Someone mentioned how good the service was at the Society, so I popped in for a chat. I remember being really impressed with the friendly atmosphere in the branch and the clarity of information the team gave me."

Wanting something more

"I find national banks and building societies somewhat faceless. However, with this Society I've always been treated as an

individual and the staff have shown a genuine interest in me. I do believe it's important to feel like your custom is truly valued."

Richard has been involved in the theatre for more than four decades, but his first stint of full-time work as a young man was in the retail trade, selling shoes and later furniture. He said: "My retail work helped me develop an instinct for picking up on how a place feels as soon as you walk in. There's an element of showbiz in all high street shops, it's all about the customer experience, and in turn good experience builds trust.

"Nobody wants to experience rudeness or coolness, but sadly that is what you get in some places and I have experienced this at other financial services providers. As soon as you walk into the Society's branch, though, you can tell it's well-run, and 100 per cent professional. I visit around once a week and the staff are always so professional and friendly. And if I bump into them on the street, they'll be sure to give me a cheery 'hello'."

"I do believe it's important to feel like your custom is truly valued."

A lifelong passion for theatre

Richard moved to the East Riding back in 1996 with his wife Andrea, who teaches drama at Hull Collegiate school, after spending 24 years in London. Andrea grew up in Bridlington, and although the couple had been scouting for homes in a variety of attractive locations across the UK, it was during a visit to Beverley that they spotted their ideal property in an estate agent's window. "We went to view it the same day and immediately knew it was the right home for us," said Richard. "We still live there now."

Despite very much enjoying all of Beverley's tranquil and historic charms, the call of the London stage returned just a year after their move. "I was offered the role of Captain Orton in *The King and I* at the London Palladium," Richard explained, "so I spent the next two years commuting back and forth to London!"

Richard and Andrea honed their craft with the prestigious Royal Shakespeare Company (RSC). Other theatre roles Richard has played have included Macbeth, Autolycus from *The Winter's*

Tale, the dead king's ghost in *Hamlet* and Oberon in *A Midsummer Night's Dream*. His impressive CV also lists appearances in many TV shows, such as *The Bill*, *Emmerdale*, *Coronation Street* and *Kinsey*.

Thriving town arts scene

But it's Richard's more recent affiliation with the Beverley-based East Riding Theatre – one of our long-standing community partners – that is taking up all his energies currently. He explained: "Back in 2014, I was walking along a Beverley street and was surprised to bump into the actor Vincent Regan, who I knew from my RSC days, and it turned out he'd also moved up north. We talked about starting a theatre together and, to cut a long story short, that was the birth of East Riding Theatre."

The theatre, based in Lord Roberts Road, has become a thriving arts hub in the town, attracting notable patrons including eminent actor and film star Mark Rylance.

Community spirit is something that's of great importance to Richard, and he is keen to recognise the vital contribution that volunteers make to East Riding Theatre. He added: "There are lots of people who give their time and love to the theatre, without them it wouldn't be the success that it is."





Beverley Community Lift



Team with Mission Christmas toys



Jess with the cast of Horseshoes for Hand Grenades



East Riding Theatre



Charities of the month

Sharing our success

2019 saw us helping numerous good causes which contribute to the vitality of our region.

From Dementia Friendly East Riding to Guide Dogs, the Andy's at St Andrew's children's hospice, Down's Syndrome charity Downright Special and Hull & East Yorkshire Mind, we saw some hugely worthy regional causes – all nominated and voted for by our members in-branch – benefitting from our £250 Charity of the Month donations.

In addition, we had the privilege of working with some of our long-standing community partners in new ways – including sponsoring the production of the new Horseshoes for Hand Grenades play at East Riding Theatre, with discounted seats for users of the Beverley

Community Lift transport charity and young East Riding Voluntary Action Services charity volunteers.

We also helped Beverley RUFC and funded some good causes – like new shirts for the Beverley Grammar School Sixth Form football team – for the first time.

And we participated in the Beverley Business Improvement District (BID).

If you have a good cause you would like to nominate as a Charity of the Month, email info@beverleybs.co.uk or pop in to our branch at 57 Market Place, Beverley, and hand their details to a member of our friendly team.

Your vote counts!

This year, we will be giving 50 pence for every vote cast to the wonderful Martin's House children's hospice in Wetherby, which provides outstanding care for children and their families from East Yorkshire and beyond.

Have your say...

We'd love to hear your ideas for our future community strategy.

Playing an active role in the East Yorkshire community in which we are based is something dear to all our hearts here at the Beverley.

From time to time, we like to sense check how we do that, and hearing what our members think is a key part of that.

During 2020, we will be commencing what we're calling our 'Listening Project', where we'll seek the views of members, local businesses and community partners on what kind of contribution they would like to see the Society make.

We think it's important to choose an initiative which fits with our founding purpose of enabling home ownership and would have real benefit for the East Yorkshire community.

Please detach and return this form

To kick this off, we're asking your views

Please tick the option below which you would most like us to support – or add your own comments in the box provided, we'd really love to hear them.

- Host an annual fundraising appeal for a charity chosen by members and staff.
- Offer financial education workshops to people of various ages, including those approaching and in retirement.
- Something else (please write your idea in the box below).

Please feel free to continue on a separate piece of paper and hand that in with this completed form.

Beverley Building Society, 57 Market Place, Beverley HU17 8AA
Call 01482 881510 Visit beverleybs.co.uk

Meet your directors

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BEVERLEY BUILDING SOCIETY



Stuart Purdy
Chairman

Joined in 2018. Member of the People & Culture Committee. Experienced in developing businesses and implementing strategic growth plans in financial services companies. Stuart leads an effective Board, promoting inclusive discussion based on relevant information. He is responsible for policies and procedures for the induction, training and development of our senior team, and developing the Society's culture.



Mike Heenan
Non-Executive Director

Joined in 2012. Member of the Audit & Compliance and Risk Committees. Qualified Chartered Accountant with extensive knowledge of the building society sector. Mike provides a wealth of experience and knowledge of the sector and the Society's legacy lending, ensuring continued careful management of the legacy commercial mortgage book.



Mark Marsden
Risk Director

Joined in 2014. Mark has 15 years' retail lending and deposit-taking experience. He defines and oversees implementation of the Society's credit and operational risk management arrangements (including as Money Laundering Reporting Officer and Data Protection Officer). He also manages the financial risks associated with climate change.



Janet Bedford
Deputy Chief Executive and Finance Director

Joined in 2014. Qualified Chartered Accountant with extensive financial services experience. Janet is responsible for the Society's financial management and controls, allocation and maintenance of capital, funding and liquidity; treasury, financial information and regulatory reporting and internal stress tests.



Esther Morley
Non-Executive Director

Joined in January 2020. Member of the Audit & Compliance and Risk Committees. Esther was formerly Managing Director of a challenger bank's mortgage division, with full profit and loss accountability. She brings extensive experience in specialist lending, credit risk management, marketing and product analysis. Once familiar with the Society, it is anticipated that Esther will become Chair of the Risk Committee.



Martin Cocker
Non-Executive Director

Joined in 2016. Chair of the Audit & Compliance Committee and member of the Risk Committee. Qualified Chartered Accountant with over 30 years' business experience. Martin ensures the integrity of the Society's financial statements via his Audit & Compliance Committee role, and oversees the independence and performance of our internal audit and compliance functions.



Richard Pattinson
Non-Executive Director, Senior Independent Director

Joined in 2011. Chair of the Risk Committee and Senior Independent Director, with almost 40 years' banking experience in treasury and risk management. Richard advises the Board on the Society's overall risk appetite, tolerance and strategy, and oversees performance. He also safeguards the independence and performance of our risk function, including whistleblowing policies and procedures.



Karl Elliott
Chief Executive

Joined in 2017. Member of the People & Culture Committee. A business leader with over 25 years' experience of delivering successful strategic and organisational change for financial services mutuals. Karl has overall day-to-day responsibility for all aspects of the Society's performance, including financial, regulatory, risk and people management.



Sue Symington
Non-Executive Director

Joined in 2013. Chair of the People & Culture Committee, which discharges the functions of a remuneration and a nominations committee. Member of the Risk Committee. Award-winning Chartered Director and Chartered Fellow of the Institute of Personnel and Development. Sue provides human resources experience focusing on colleague matters such as succession planning, reward, learning and development and performance management.

Directors' Remuneration Report

for the year ended 31 December 2019

This report explains how the Society has regard to the principles in the UK Corporate Governance Code 2018 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 below.

The level and components of remuneration

Code Principles:

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.

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 functions of a Remuneration Committee are discharged by the People & Culture

Committee, which reviews the remuneration of all Non-Executive Directors on an ongoing basis, 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 and participation in a Group income protection scheme.

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 (Chief Executive: 9 months) and so any termination payment would not exceed nine 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:

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

Board Comment:

The functions of a Remuneration Committee are discharged by the People & Culture Committee, which consists of two Non-Executive Directors and the Chief Executive. The Chief Executive takes no part in the determination of his own remuneration.

The People & Culture Committee is responsible for the remuneration policy for all Directors and senior management of the Society. It meets at least quarterly and reviews supporting evidence from within the building society sector 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.

Directors' remuneration (audited)

Directors' emoluments	2019	2018
	£000	£000
For services as a Director	92	89
For executive services	372	361
Total	464	450

Emoluments of the Society's Directors are listed below

	Fees	Fees
	£000	£000
For services as a Director		
S Purdy (Chairman of the Board)	26	1
M R Cocker (Chair of the Audit and Compliance Committee)	17	17
R A Pattinson (Senior Independent Director and Chair of the Risk Committee)	18	17
M R Heenan	14	15
S A Symington (Chair of the People & Culture Committee)	17	15
B Young (Former Chairman of the Board)	-	24
Total	92	89

Directors' Remuneration continued

	Salary	Benefits	Pension	Total
	£000	£000	£000	£000
For executive services				
2019				
K J D Elliott (Note 1)	161	-	-	161
J E Bedford	106	1	11	118
M Marsden	84	1	8	93
Total	351	2	18	372

2018

K J D Elliott (Note 1)	157	-	-	157
J E Bedford	103	1	10	114
M Marsden	81	1	8	90
Total	341	2	18	361

Note 1: Included in the 2019 salary of K J D Elliott is £19k which represents cash payments in lieu of pension and car benefit (2018: £18k).

S A Symington
Chair of the People & Culture Committee
 March 2020

Summary Financial Statement

for year ended 31 December 2019

This financial statement is a summary of 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 every office of Beverley Building Society after 31st March 2020.

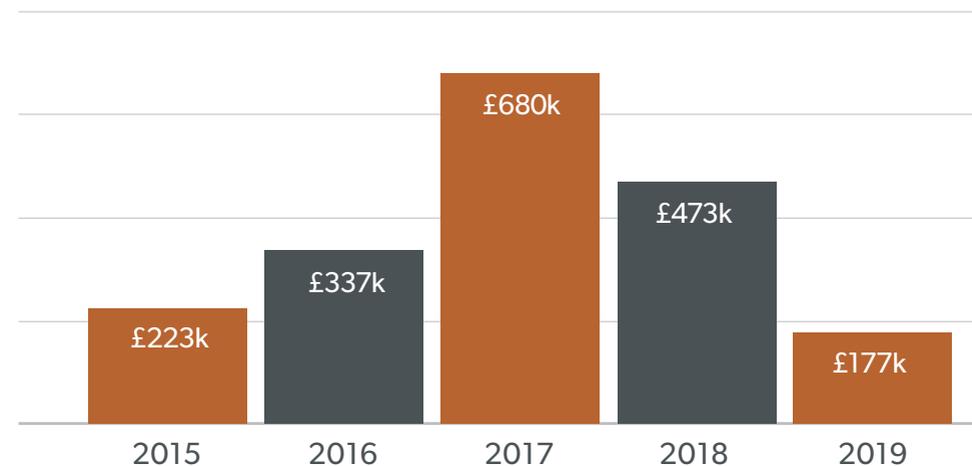
During a period of continued uncertainty, the Society has delivered a strong set of results. Key highlights include:

- The Society delivered profit before tax of £177K, whilst continuing to invest in our broader objectives of investing in strategic initiatives.
- Despite the exceptionally challenging mortgage environment, with a number of competitors such as Tesco Bank pulling out of the mortgage market, the Society has maintained net income at £2.4m.
- New mortgage advances were £25.8m, 16% higher than 2018 and the highest new business level for the last five years. The Society has focussed on customers underserved by the mortgage market such as lending in retirement and self-employed.
- The Society maintains a conservative lending policy, which is reflected in the average loan to value (LTV) ratio which has fallen for the six-consecutive year to 36%.
- The final tranche of the Society's subordinated debt was repaid in March 2019; we are now funded solely by our members.

Profitability

As a Mutual, the Society does not pay shareholders dividends. The Society's policy is also not to pay bonuses to colleagues; profit is therefore fully re-invested back into reserves, building financial strength and providing long term resilience for members benefit.

Profit before Tax



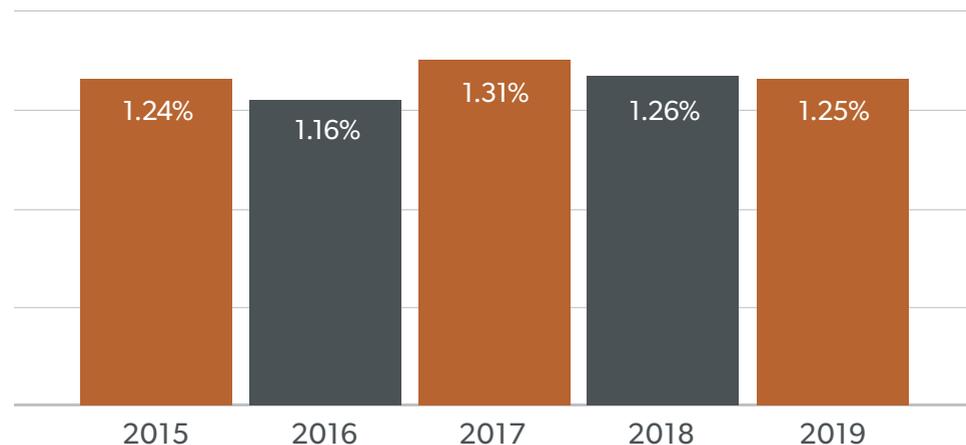
Profit before tax of £177k, despite an increase in net income in 2019, due to an increase in costs of £131k and impairment charges of £189k.

Impairment charges increased primarily due to the application of modified loan accounting rules in relation to a legacy buy-to-let mortgage for £1.6m, the impact of which was £108k. This is because the loan has been recognised at fair value at the point of modification. Assuming the loan performs, as indeed it has done since origination, the impact will be released over the remaining life of the mortgage.

In terms of costs, the Society has recruited both to support the increase in regulatory workload impacting the sector and to support mortgage volume growth. In line with the sector, the Society has also experienced a significant increase in external audit costs in 2019, given all building societies are captured as public interest entities, which demand enhanced auditing requirements. Despite this increase in costs, the Society monitors its cost base carefully and we continue to have one of the lowest cost/mean assets ratios in the sector.

Net Interest Margin

The difference between interest received on assets and interest paid on liabilities, measured as a percentage of mean assets. This is the Society's main source of income. Net interest margin has been broadly maintained in 2019, despite a general downward pressure on the mortgage rate in the market which caused a number of established providers to exit.

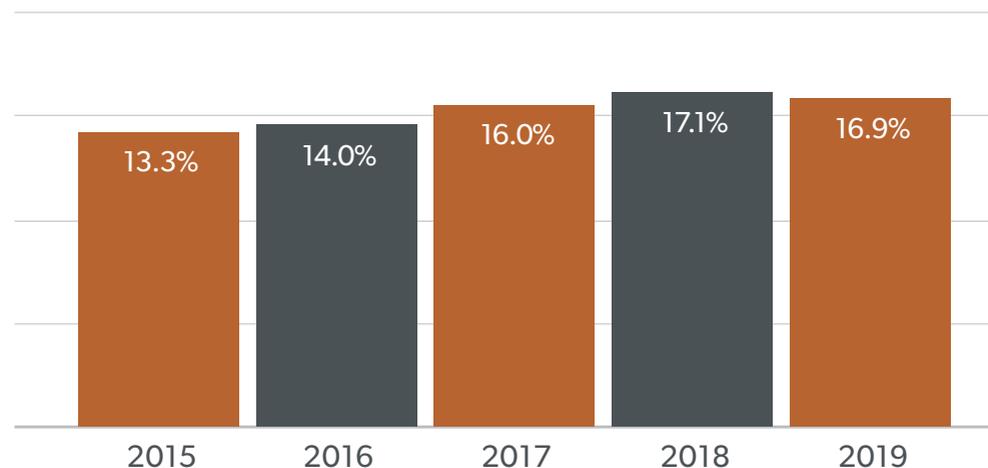


Capital

Capital is a key measure of the Society's financial strength and is primarily comprised of accumulated profit reserves. Capital supports business growth, protects the business against its principal risks and safeguards members' funds. In addition, higher levels of capital ensure that the Society can respond to the greater protection buffers required under the Capital Requirements Directive (CRD).

Total Capital Ratio

Total capital as a percentage of Risk Weighted Assets (RWA) has increased consistently over a four-year period (2015-2018), due to strong profitability and reducing risk within the asset base (as measured by RWA). This growth has been despite the amortisation of subordinated debt capital, required under CRD regulations. In 2019, due to the expansion of our balance sheet, there has been a 0.2% reduction in our total capital ratio.



The minimum regulatory capital requirement remains unchanged in the year:

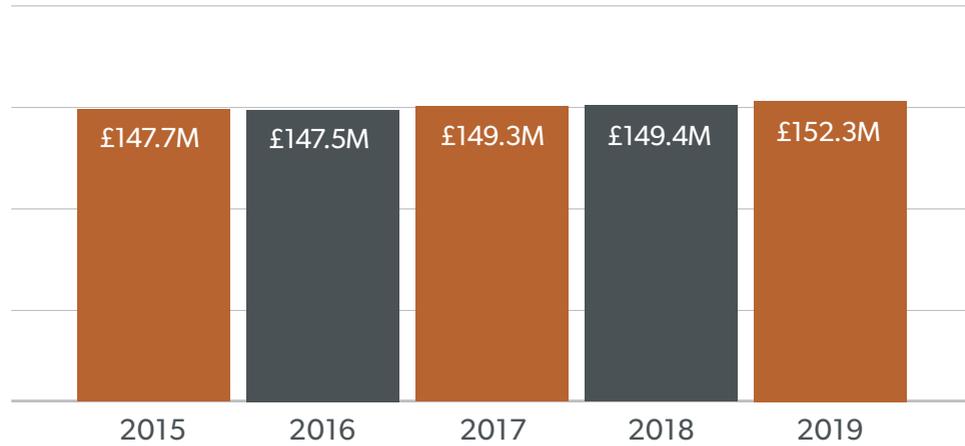
	Definition	2019	2018
Total Capital Requirement	The Society's minimum regulatory capital requirements. Presented as a percentage of RWA.	9.48%	9.48%

The Society's capital position is set out in more detail in its Pillar 3 disclosure document. The 2019 document is available on the Society's website from mid-April 2020.

Loans and advances to customers

During the year the Society advanced gross mortgages of £25.8m (2018: £22.2m) and retained 77% of residential mortgage schemes maturing in 2019 (2018: 80%).

Total Mortgage Balances (gross of mortgage loss provision)

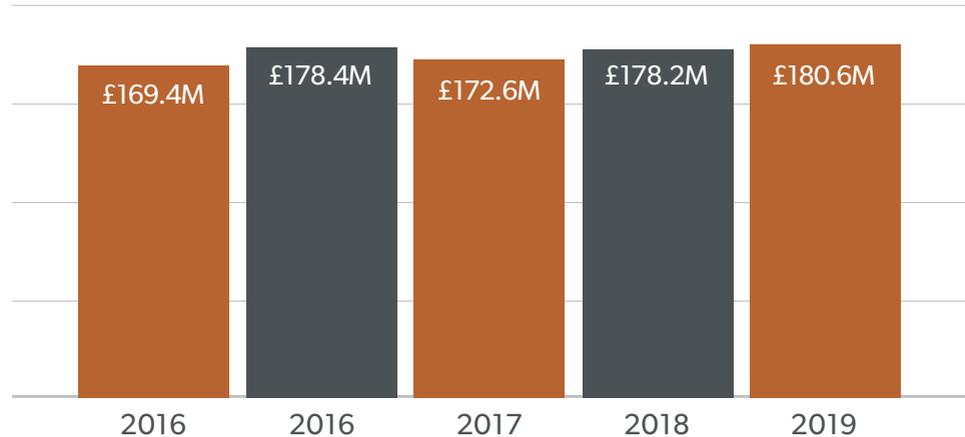


The mortgage portfolio has grown steadily over the last 5 years, with 2% growth recorded in 2019.

Shares and deposits

The Society offers straightforward saving products, which offer good value, transparent savings rates. Savers balances have grown by a further £2.4m in 2019.

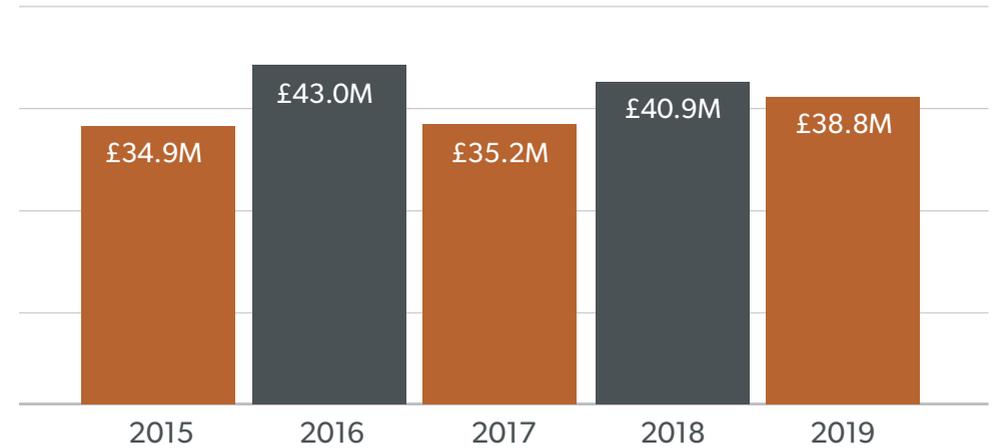
Shares and deposits



Liquid assets

Liquid assets in the form of cash and securities at 31 December 2019 were £38.8m representing 21.5% of shares and borrowings.

Liquid assets



In 2018 the Board took the decision to stop investing in fixed-term certificates of deposit, and to invest only in the Bank of England. The impact of this conservative treasury approach is to reduce both liquidity and capital risk, which is important in an uncertain economic environment.

The Liquidity Coverage Ratio is a measure of liquid assets which can be converted to cash to meet cash outflows in the event of a stress scenario. The Society is required to maintain a minimum of 100% to meet regulatory requirements.

	2019	2018
Liquidity Coverage Ratio	427%	457%

Results for the year	2019	2018
	£000	£000
Net interest receivable	2,402	2,374
Other income and charges	55	68
Administrative expenses and depreciation	(2,023)	(1,896)
Provisions for loan impairments	(257)	(78)
FSCS levy	-	5
Profit for the year before taxation	177	473
Taxation	(34)	(90)
Profit for the year	143	383

Statement of Other Comprehensive Income	2019	2018
	£000	£000
Profit for the financial year	143	383
Other comprehensive income		
Revaluation of freehold land and buildings	(105)	-
Total comprehensive income for the year	38	383

Financial position at the end of the year	2019	2018
	£000	£000
Assets		
Liquid assets	38,813	40,862
Mortgages	151,763	148,947
Fixed and other assets	1,493	1,593
Total assets	192,069	191,402
Liabilities		
Shares	164,294	160,740
Borrowings	16,278	17,412
Other liabilities	227	268
Subordinated liabilities	-	1,750
Revaluation reserve	571	676
General reserve	10,699	10,556
Total reserves and liabilities	192,069	191,402

Approved by the board of directors on 13 March 2020 and signed on its behalf by:

S E Purdy Chairman

K Elliott Chief Executive

J E Bedford Deputy Chief Executive

Summary of Key Financial Ratios	2019	2018
	%	%
Gross capital as a percentage of shares and borrowings	6.24	7.29
Free capital as a percentage of shares and borrowings	5.74	6.71
Liquid assets as a percentage of shares and borrowings	21.49	22.94
Profit for the year as a percentage of mean total assets	0.09	0.20
Management expenses as a percentage of mean total assets	1.04	0.98

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 ratio has decreased compared to the prior year primarily due to the repayment of £1.75m of subordinated debt and therefore does not indicate a true deterioration of the Society's capital position.

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 2018 and 2019 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 2019 set out on pages 22 to 29.

Opinion

On the basis of the work performed, as described below, 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 2019 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for 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 2019, 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 2019.

We also read the other information contained in the Member Review 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.

Directors' responsibilities

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.

Auditor's responsibilities

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Member Review 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.

The purpose of our work and to whom we owe our responsibilities

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.

Karl Pountney
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA
16 March 2020