



Beverley Building Society
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Call **01482 881510**
Visit **beverleybs.co.uk**

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.



Member Review

Including Summary
Financial Statement
for year ended
31 December 2018

Keeping it in the family,
Suzanne's story - 12 & 13

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Welcome

... our financial strength is enabling us to continue offering the simple, good value mortgages and savings... personal service and community support... you value so highly.



Here we are, preparing for our 2019 AGM and reflecting, once again, on the performance of our year just gone. This year's new-look AGM magazine gives you an insight into our latest annual results. Most importantly, it shows how our financial strength is enabling us to continue offering the simple, good value mortgages and savings, and the personal service and community support, you value so highly, as well as paving the way for some exciting future plans.

You'll find performance highlights at a glance on pages 4 & 5, then, on pages 6 & 7, our new Chairman, Stuart Purdy, introduces himself and reviews our year.

Members are the beating heart of the Society and so it's great to hear from some of them. On pages 8 & 9, saver Annette Horner describes how we've helped her develop a savings habit she's also passed on to her – grown up – children. On 10 & 11, we unveil our exciting new branding and how we chose it to reflect both where we've come from and where we're headed.

On 12 & 13, we discover why mortgage customer Suzanne Wadsworth has stayed with

us for decades, and also recommended us to her son and daughter.

14 & 15 take a look back at the community good causes we supported in 2018. As one of the UK's first mutual building societies, we started life in 1866 as a solution to a problem of the time: helping ordinary people to own their own homes. We're passionate about continuing to demonstrate this social purpose in ways that are relevant today, including meeting the current financial needs of our East Yorkshire community.

Also, find out on this page how you can have your say on aspects of our future community strategy by joining in with our member forum.

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

I hope you enjoy reading and look forward to working with valued members like you to build better futures in the year ahead and beyond.

Karl Elliott
Chief Executive

2018 highlights

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

Members consistently rated us

5 out of **5** for service

£1,000

raised for Yorkshire Air Ambulance from Tour de Yorkshire cycling challenge

£1,500

donation helped sustain vital transport service Beverley Community Lift

Continued to retain

over **80%** of mortgages reaching the end of their original offer

12 'Charities of the Month'

received **£250** each in 2018

Invested in a new strategy to define our next **5-10** years

9% more money lent for new mortgages than in 2017

Total assets of **£191m** up 3% on 2017

Pre-tax profit of **£473k**

Average savings rate up by

0.30% from 0.73% to **1.03%**

National media coverage for passing on the full August Bank of England base rate change to all our savers

No staff bonuses – all profits are invested in your Society

First of many **member forums** held to gain your feedback

Review of the Year



**"We intend to...
maintain our
members' place
at the heart of
everything we do."**

**Stuart Purdy,
Chairman**

As your new Chairman, I was delighted to join the Board last November, succeeding Brian Young who stepped down at the end of 2018.

Brian joined the Board in 2009 and served as Chairman from 2015. He leaves the Society in a strong financial position despite the backdrop of general economic turmoil and uncertainty in UK financial markets throughout his tenure, and with a carefully developed strategy enabling us to focus very much on the future. We thank Brian for his unfailing commitment and service, his vision and leadership of our Board.

I am excited to join the Beverley at a time when the service and products we offer our members are more important than ever, delivered by an outstanding team of committed and knowledgeable staff.

As part of my own appointment process I very much enjoyed the opportunity to meet members of our team and representatives of

the Beverley community with whom we work closely. I saw firsthand the key role the Beverley plays in offering quality products and service, constantly developing these to suit the changing needs of our members. I also witnessed the commitment and capability within the Society, including our Executive team who, under Karl Elliott's leadership as CEO, continue to focus on our members' priorities.

I am also relishing the opportunity to renew my acquaintance with Yorkshire, having trained with General Accident in York. I look forward to building my knowledge of East Yorkshire and its communities, and understanding the needs the Society can help fulfil, while bringing my own experience in Financial Services and a set of personal values that resonate strongly with the mutual ethos. We intend to build on the strong foundations our colleagues and your Board have put in place, to maintain our members' place at the heart of everything we do.

2018 has been a year of significant strategic progress, delivering continued financial sustainability for your Society amidst an ever challenging economic and political environment.

While media commentary is understandably dominated by Brexit, the UK has seen a continuation of low growth and productivity in 2018. The Bank of England again took action against longer term inflationary concerns by increasing interest rates in August, but we anticipate a long and relatively slow climb back to pre-2008 levels. House price inflation bucked the trend in Yorkshire and the Humber, rising by more than four per cent in the year, though weak across the UK as a whole. Remortgaging, rather than house purchase, continues to fuel the mortgage market, and economic uncertainty is exacerbating this situation.

This makes for a difficult environment for many of our members, whether they are seeking to buy a home, refinance their property or generate value from their hard earned savings. Our response has been to remain focussed on delivering straightforward, good value products for borrowers and savers alike, and treating our members as individuals, giving them the time and help they need to make the right decisions for them. We believe this is what distinguishes the Beverley and why we continue to build your support.

We were happy to receive national media recognition for passing on the full benefit of the bank base rate change to all savings members and continue to successfully identify important areas of quality lending, in particular helping those in later life, those looking to build their own homes and our self-employed members.

I am pleased to report that our approach has been well received by borrowers and savers alike in 2018, with three per cent growth in savings balances and increased new lending, primarily funded from branch-based deposits.

Our presence allows us to fulfil an increasingly important community service as the major banks' branches continue to disappear from the high street.

We have delivered profits well above budget, while investing in people and strategy and increasing our capital coverage. We have also removed further risk with the cost effective disposal of a number of properties in possession and by no longer investing in fixed term treasury investments. As such, we are well placed to continue investing in our strategic deliverables and pay off our final tranche of subordinated debt in early 2019, when we will be exclusively funded by our members.

2018 has seen us revisit our original purpose to redefine our strategic intent, with our 'Building Better Futures' strategy. Our aim is to ensure our commercial and social purpose, focussed primarily on our regional heartland, builds sustainable growth by providing benefit to the members and communities we serve.

We will continue to rely heavily on the skills, experience and customer care in which our team at the Beverley excel in order to deliver the high quality support members have come to expect from us.

Undoubtedly, the uncertainty of the political and economic landscape is likely to continue and 2019 is likely to remain uncertain for many of our members. I will seek to ensure that Beverley Building Society continues to be a reassuring constant for those seeking straightforward, good value savings and mortgage products, delivered with a truly personal service.

The Society exists solely because of its members and so I would like to thank you for your support in 2018 and hope I will get the chance to meet you at our AGM in April, or at one of our member events throughout the year.

Annette's savings habit

Annette Horner is almost as steeped in the town's history as we are.

Not only has she been a loyal Beverley Building Society member from birth, she and her family now hold numerous savings accounts with us, which they use to save up for specific things.

Reception administrator Annette's late dad, Christopher, a local farmer and 'pasture master', responsible for maintaining some of the town's most valuable green areas, opened Annette's first account for her when she was a baby, in 1963. She's taken care to pass on that savings habit to son Chris and daughter Jess, now grown up.

"Setting money aside monthly also avoids that temptation to spend, which you have with cash in your current account."



Left to right: Annette, Chris, Mark and Jess

"I like to save up for planned expenses like holidays and Christmas, as well as a rainy day fund," said Annette.

"It's much better than spending on a credit card, with the added benefit of a bit of interest to look forward to once a year.

"Setting money aside monthly also avoids that temptation to spend, which you have with cash in your current account."

Annette, from Beverley, added: "I used to pay Chris and Jess's board money into savings accounts for them, and I'm pleased to say they've continued to squirrel spare cash away now they're grown up. Chris, who now has a place of his own, has used some of his to pay for repairs on his house, like leaks in the roof, so it's come in very handy.

"My husband Mark and I have had some lovely treats as a result, too – including a once-in-a-lifetime trip to Canada to celebrate our 30th anniversary."

Several members of Annette's family are keeping her dad's legacy alive in other ways, too, having taken on the role of pasture masters, responsible for looking after beautiful pasture land in Beverley, including the famous Westwood and Figham. Chris is hoping to join their ranks soon, to help keep this important part of the town's heritage alive.

Supporting our savers

Savers are our bedrock and we believe in rewarding you for your commitment to us through consistently-rewarding returns, backed by a quality of personal service which is second-to-none.

Our commitments to you include:

- **What you see is what you get.** We always offer our latest deals to existing members too
- **Accounts for your life.** Whether you want to save regularly for a specific reason or set a lump sum aside at a competitive rate with a level of access to your cash, we can provide an account to suit
- **No pushy sales tactics.** We won't bombard you with sales talk when you pop into branch or call us.

Unveiling our exciting new look

We've been busy designing a fresh brand identity for your Society.

From the old logo...

Beverley
Building Society
Founded 1866

...to the new

Est.
1866
BEVERLEY
BUILDING SOCIETY
Building Better Futures

This year, we recognised the need to refresh the look and feel of the Society, to keep up with the times, while never losing sight of our heritage and commitment to personal service.

We have taken a fresh look at our branding, from our logo and the colours we use to the kind of photography that appears in our publications.

To make sure we struck the right balance, we started by asking our members what you thought, and were delighted to hear you welcomed our new look, so long as we don't change a thing about how we do things, and the personal touch you love so much!

You also said our rich heritage and stability, as a financial institution that has stood the test of time, is hugely important to you. So, we've highlighted our date of establishment in the new logo design, alongside classic colours like bronze, grey and cream.

Our new photography (see right) aims to reflect our warm, approachable personality, as well as our commitment to the East Yorkshire region.

Chief Executive Karl Elliott said: **"Our existing branding has become dated and we saw an opportunity to modernise our look and feel."**

These are the
main colours
that will be used
throughout our
new branding.



Team member Tom Stubley in an example of our new-style photography.

We've witnessed the transition from horse-drawn carts to motor cars and withstood two world wars and several recessions, including the most serious ever global financial crisis.

"During all that time, we've remained financially strong by focussing on lending to borrowers the funds our savers invest with us, and offering both groups a way of realising some of their financial ambitions," added Karl.

The inspiration for our new look was 'cool heritage' and we researched how other popular brands you love, from quality retailers to cosy cafés, present themselves. After all, we want your experience of dealing with us to be as comfortable as your favourite coffee shop!

The new branding will appear in various places over the coming months, including our website.

However, it goes beyond just modernising our look, as Karl explained. **"The branding is just the tip of the iceberg. It symbolises everything we stand for and the process of creating it has involved thinking about how we can remain relevant for the next 10 years."**

As a mutual, we were established to help ordinary people buy their own homes when that wasn't financially possible. We continue to reflect that social purpose through our mortgage lending but are also keen to look at new ways of meeting the needs of people in our East Yorkshire heartland and beyond, by working on things like a new community giving strategy in the year ahead.

"So, watch this space, Beverley Building Society is entering an exciting new era!"

Our members' thoughts

It was important to make sure our members liked our new branding as much as we do, so we held a special forum meeting last November to run it past some of you.

And we're pleased to say, you gave us a resounding thumbs-up!

In fact, the main feedback was

'we love it, as long as you don't change how you do things – and the great, personal service we value so much'.

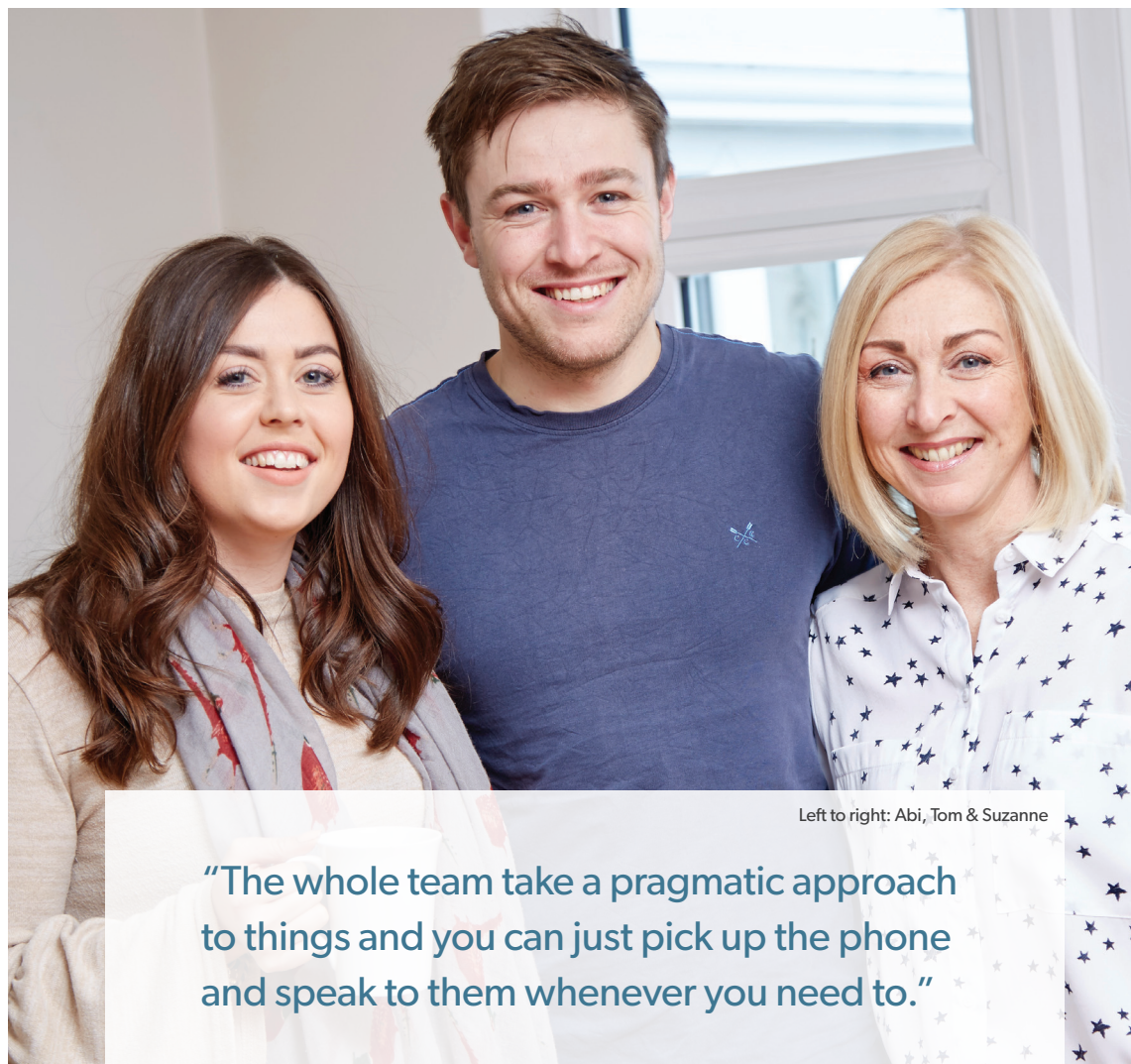
Member Dawn Overton said: **"It's great. The brand is ready for an update and I love the colours you've chosen."**

"They reflect quality but are modern, warm and vibrant too. The reference to your founding date is very important because knowing you've stood the test of time is important in this modern age, where people no longer trust financial organisations as much as they used to."



We're keen to hold more member forums in 2019, to involve you in defining our future plans. Among the topics we'd welcome your views on are our community activities, use of technology and whether you would welcome being able to register for a voting pack by email to save paper. To express your interest in taking part, email info@beverleybs.co.uk or call us on 01482 881510.

Keeping it in the family



Left to right: Abi, Tom & Suzanne

"The whole team take a pragmatic approach to things and you can just pick up the phone and speak to them whenever you need to."

Suzanne Wadsworth knows a good mortgage experience when she sees one – the former mortgage consultant still works in the finance industry and has oodles of knowledge about what makes a good deal and, more importantly for her, great service.

Suzanne and husband Roger have been with the Society for many years. After 22 years living in Cottingham, they took their Society mortgage with them when they moved to their bungalow in North Ferriby several years ago.

Then, their son Tom decided to buy his own place. As a newly self-employed electrician, securing a mortgage by himself was challenging. Setting his heart on a quaint cottage in the picturesque East Riding village of Brantingham, Suzanne hatched a masterplan to help him out.

"We remortgaged our own home to fund Tom's purchase," she explained. **"It was a bit of a rush after we made an offer on the property and the seller accepted it! I contacted the Beverley's Head of Lending Graham, who I've dealt with professionally and personally for years, knowing he would be the ideal person to approach, and he was indeed able to help."**

A couple of years later, when Tom was in a position to re-mortgage the property in his own name, Graham and the team also helped him make that transition.

Now, Tom's on the move again, setting up home with girlfriend Alex in Barton-on-Humber, so we're assisting with that purchase too.

And this family affair doesn't stop there!

Suzanne said: **"My daughter Abi was living in Leighton Buzzard and decided to come back up north to live and work. She really wanted to buy her own place but we realised getting a mortgage wouldn't be straightforward as her new job status wasn't permanent, plus her partner was still looking for a job."**

"I offered to be guarantor on her mortgage and, with the Society's help, she was able to buy a lovely semi-detached house in a Hull village. Now she's in a permanent job lecturing at a local college and her partner is also working full-time, so they couldn't be happier."

Suzanne has high praise: **"The whole team take a pragmatic approach to things and you can just pick up the phone and speak to them whenever you need to."**

For the Wadsworth family, the true value of their mortgages isn't just about the competitive rates, it's about the time and effort the Society invests in its members, and being treated as a human being, not a statistic.

"You know you can speak to the right person at any time, or ring or email and receive a timely response," said Suzanne.

Mortgages - for us they're personal

The Wadsworths' experience reflects, in one family, areas we specialise in like mortgages for self-employed people and inter-family borrowing, where a more personal and pragmatic approach is often needed.

In an era of computer-aided decisions, we understand that borrowers are individuals and often they – and their circumstances – don't fit a formula. That's why our dedicated team go out of their way to get to know you personally to decide whether, and how much, to lend to you.

Other areas of particular expertise include mortgages for self-build initiatives and later-life loans to support your retirement aspirations.

We keep things as simple as possible, with a straightforward range of two and three-year discounted deals, and always do our best to say 'yes'.

Giving something back

how we've helped our local community in 2018

A charity whose dogs provide vital therapy to everyone from the elderly to young people with behavioural problems; a community transport organisation offering a lifeline to people living in isolated rural communities and a lasting memorial to East Yorkshire's fallen heroes.

These were just some of the good causes we helped during 2018.

Organisations voted for by you to each receive £250 from our 'Charity of the Month' pot included Pet Respect, Beverley Community Lift and Viking Radio 'Mission Christmas'.

In April and May, our team got on their bike – specifically an exercise bike located in our branch – to cycle 597 miles, the length of the Tour de Yorkshire, in aid of the Tour's chosen charity Yorkshire Air Ambulance. We had great fun with lots of donations from members, and support from local businesses, competitors Team Jadan-Weldtite Vive le Vélo and esteemed local playwright John Godber and daughter Elizabeth, in hitting our mileage target. We donated 50p per mile completed and, together with member donations, handed over a total of £1,000.

You might have seen us at the Driffield Show, along with volunteers from Beverley Community Lift (BCL), supporting this buzzing annual event.

Our partnership with Beverley Community Lift also saw us teaming up with them on our Business Account, offering a further donation to the charity for accounts opened by businesses, charities and other organisations. We handed over £1,000 as a result of this initiative.

And we contributed £2,600 to the local branch of the SSAFA Armed Forces Charity by winning the auction at the Beverley and District Chamber of Trade Annual Ball for a beautiful memorial bench inspired by the 100th anniversary of the end of the First World War. This is now installed at Beverley's Flemingate shopping centre for all to enjoy.



Top to bottom: Famous playwright John Godber supports our cycle challenge. CEO Karl with competitors Team Jadan-Weldtite Vive le Vélo. Debbie and Karl with BCL at the Driffield show.

Why have we done all of this?

Because playing an active role in our regional community is part of the social purpose kickstarted by our founding fathers, who were the visionaries of their day.

We continue to look for ways in which we can actively contribute to the ongoing prosperity of the communities we operate in.

"The role we play in changing lives – through the opportunities presented by our

mortgages and savings primarily and then through our community involvement – is the beating heart of the Society," said Chief Executive Karl Elliott.

"We're owned by our members and all of our profits are ploughed back into the business to keep us strong, to continually enhance the products and services we offer and also to enable us to contribute to the life of East Yorkshire and beyond."

Who would you give £250 to?

Each month, we feature three nominated charities in branch and the winner is voted for by our members.

So why not put your favourite forward?

If you represent or admire a charity that you believe would benefit from our £250 Charity of the Month pot, contact us via

info@beverleybs.co.uk

or **01482 881510**

and let us have their details.

Top right, middle and bottom: Pet Respect. Major Keith Robertson, Colonel Andrew Kennedy, Squadron Leader Nick White and Michael Menzies-Baird together with our CEO Karl and the SSAFA memorial bench. Risk Director Mark Marsden helping to fundraise for Yorkshire Air Ambulance.



Meet your directors



Karl Elliott
Chief Executive

Joined the Board in August 2017. Member of the People and Culture and Risk Committees. A business leader with over 25 years' experience of delivering successful strategic and organisational change for financial services mutuals.



Janet Bedford
Deputy Chief Executive and Finance Director

Joined the Board in August 2014. Member of the Risk Committee. Qualified Chartered Accountant with extensive experience of the financial services sector.



Mark Marsden
Risk Director

Joined the Board in November 2014. Member of the Risk Committee. Experienced risk and compliance professional with 15 years retail lending and deposit taking experience.



Stuart Purdy
Chairman

Joined the Board in November 2018. Member of the People and Culture Committee. Experienced non-Executive and Executive Director skilled in developing businesses and implementing strategic growth plans in financial services companies.



Martin Cocker
Non-Executive Director

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



Mike Heenan
Non-Executive Director

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



Richard Pattinson
Non-Executive Director, Senior Independent Director

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



Sue Symington
Non-Executive Director

Joined the Board in 2013. Chair of the People and Culture Committee. Member of the Audit and Compliance Committee. Chartered Director, awarded the Institute of Directors prestigious New Chartered Director of the Year award 2014. Chartered Fellow of the Institute of Personnel and Development. Provides experience in human resources and personnel development.

Directors' Remuneration Report

for the year ended 31 December 2018

This report explains how the Society has regard to the principles in the UK Corporate Governance Code 2016 relating to remuneration. (The 2018 Code update will be applied for future reporting periods).

The Society has adopted a Remuneration Policy, which describes how the Society complies with the relevant sections of the Financial Conduct Authority's (FCA) Remuneration Code. The Remuneration of individual Directors is detailed on pages 20 & 21.

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

Committee. The Committee reviews the remuneration of all Non-Executive Directors on an annual basis, by comparing external data for other comparable building societies. 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:

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 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	2018 £000	2017 £000
For services as a Director	89	84
For executive services	361	312
Total	450	396

Emoluments of the Society's Directors are listed below

	Fees £000	Fees £000
For services as a Director		
B Young (Chairman)	24	23
M R Cocker (Chair of the Audit and Compliance Committee)	17	16
R A Pattinson (Senior Independent Director and Chair of the Risk Committee)	17	16
M R Heenan	15	16
S A Symington (Chair of the People & Culture Committee)	15	13
S Purdy (appointed 19 November 2018)	1	-
Totals	89	84

Directors' Remuneration continued

	Salary £000	Benefits £000	Pension £000	Total £000
For executive services				
2018				
K J D Elliott (Note 1)	157	-	-	157
J E Bedford	103	1	10	114
M Marsden	81	1	8	90
Totals	341	2	18	361

2017				
P E Myers (Note 2)	54	3	-	57
K J D Elliott (appointed August 2017) (Note 1)	59	-	-	59
J E Bedford	97	1	10	108
M Marsden	79	1	8	88
Totals	289	5	18	312

Note 1: Included in the 2018 salary of K J D Elliott is £18k which represents cash payments in lieu of pension and car benefit (2017: £4k).

Note 2: P E Myers resigned as a Director effective from the 11th May 2017. Included in the 2017 salary figure above is £4k which represents cash payments in lieu of pension. In addition to the amounts shown above, he received a £16k benefit (represents the market value of his company car).

S A Symington
Chair of the People & Culture Committee
 February 2019

Summary Financial Statement

for year ended 31 December 2018

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 2019.

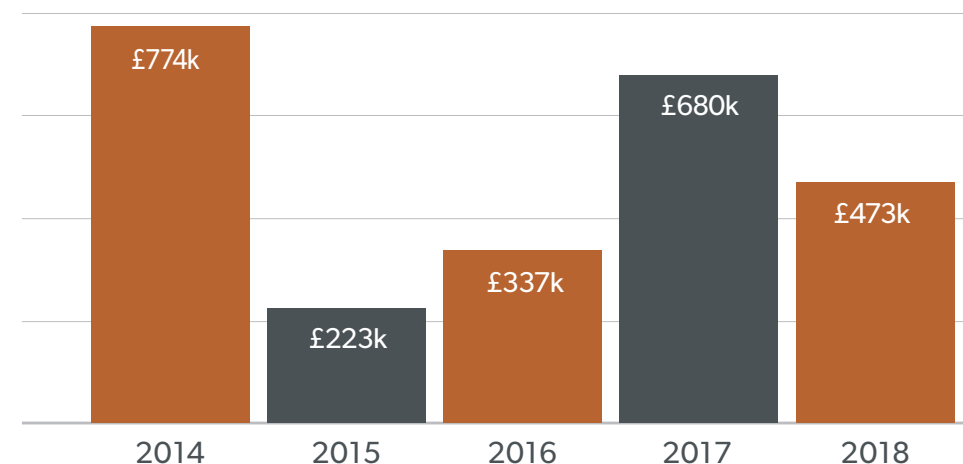
During a period of continued uncertainty, the Society has delivered a strong set of results. Key highlights include:

- The Society delivered profit before tax of £473K, whilst continuing to invest in our broader objectives of investing in strategic initiatives and improving the rates available to our savers;
- Assets have increased by over 3% to £191.4M;
- The full benefit of the bank base rate increase in August was passed on to members, an event noticed by national media, resulting in a £5.6M inflow into savers balances in the year;
- New mortgage advances in the year have grown by 9%;
- The Society maintains a conservative lending policy, which is reflected in the average loan to value (LTV) ratio which has fallen for the fifth consecutive year to 37.5%.

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 has fallen in the year, primarily due to lower net interest margin (see below), and higher management expenses. The increase to management expenses was driven by increased staff costs – reflecting the CEO being in place through the full year – and increased non-staff costs. Non-staff cost increases primarily relate to strategic investments, including the Broker Online portal and new branding. Despite this increase in costs, the Society monitors the cost base carefully and continue to have one of the lowest cost/mean assets ratios in the Sector.

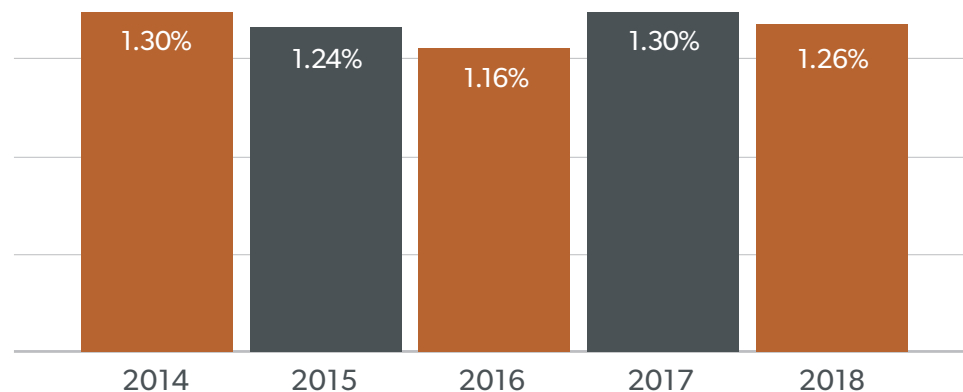
Profit before Tax



Net Interest Margin

This is the Society's main source of income. Net interest margin has fallen in 2018 primarily due to increases in the average member's savers rate. The increase in interest paid reflects both the increasingly competitive UK funding environment and the Society's decision to be one of the few financial institutions to pass on the August base rate increase in full to retail members.

Whilst many competitors have experienced pressure on their mortgage rate, the Society rate has increased over the year, reflecting both the increase in the base rate and the decision to focus on self-build and interest only mortgages.

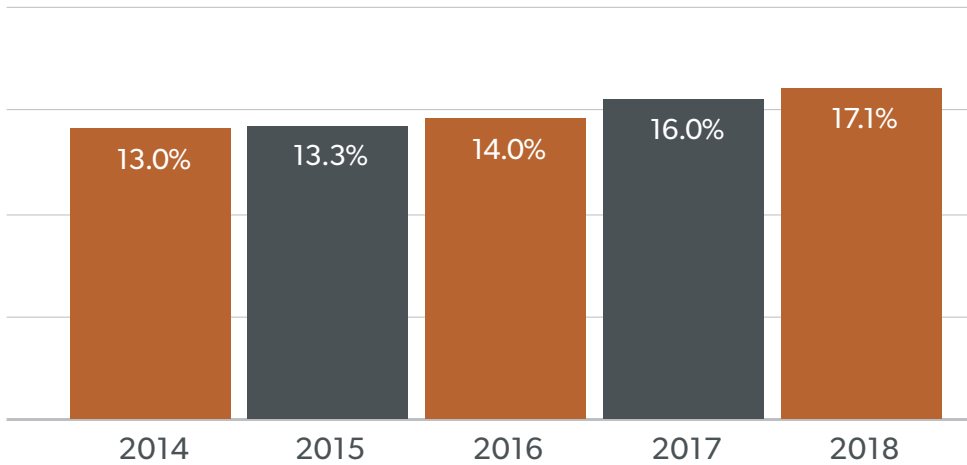


Capital

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 the 5 year period, 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.



The minimum regulatory capital requirement has fallen due to the continued reduction in credit risk within the Society’s lending portfolio:

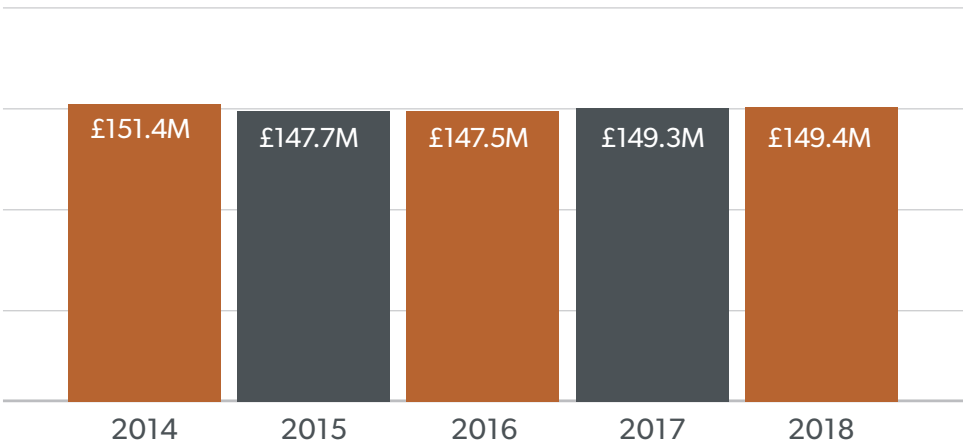
	Definition	2017	2018
Total Capital Requirement	The Society’s minimum regulatory capital requirements. Presented as a percentage of RWA.	10.00%	9.48%

The Society’s capital position is set out in more detail in its Pillar 3 disclosure document. The 2018 document is available on the Society’s website from mid-April 2019.

Loans and advances to customers

During the year the Society advanced gross mortgages of £22.2m (2017: £20.3m) and retained more than 80% of residential mortgage schemes maturing in 2018 (2017: 80%).

Total Mortgage Balances (gross of mortgage loss provision)



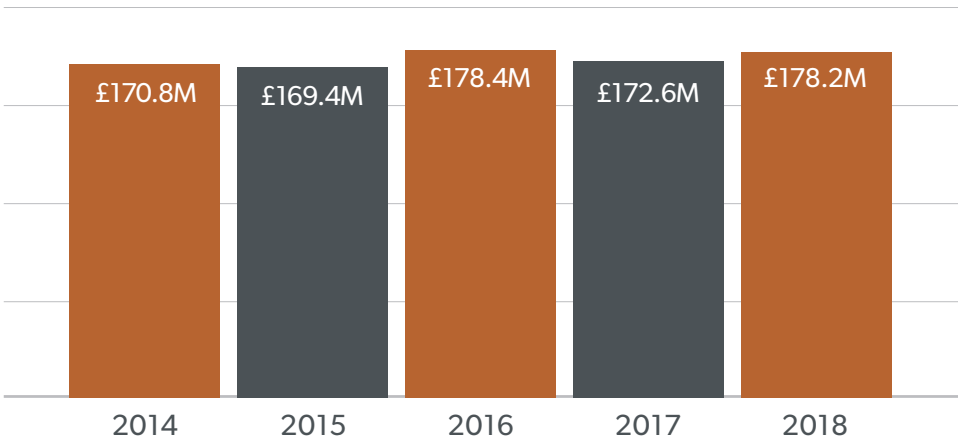
In 2018, the mortgage impairment charge for the year was £78k (2017: £73k) primarily related to charges made on disposal of legacy properties in possession. There were no new cases of mortgage possession in 2018.

At 31 December 2018 there were 2 cases, with a total balance outstanding of £169k and a total arrears balance of £27k (2017: 2 cases with a total balance outstanding of £184k, and total arrears of £32k) where repayments were more than 12 months in arrears. At 31 December 2018 there were 6 cases in possession (2017: 7 cases). The Society will continue to take all necessary steps to help borrowers in genuine difficulties whilst at the same time trying to minimise losses to the Society and ensure that our lending policy has appropriate regard to economic conditions and the customer’s ability to repay.

Shares and deposits

The Society offers straightforward saving products, which offer good value, transparent savings rates. In 2018 retail savings and deposits increased by £5.6m.

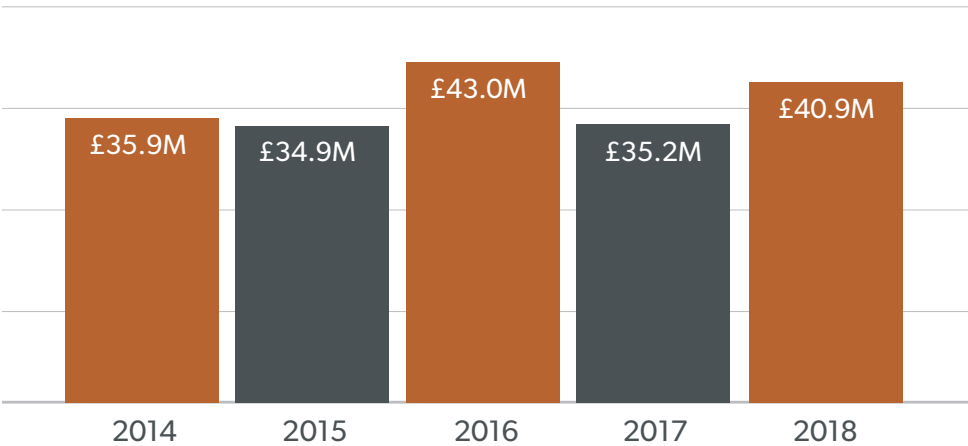
Shares and deposits



Liquid assets

Liquid assets in the form of cash and securities at 31 December 2018 were £40.9m representing 22.9% of shares and borrowings.

Liquid assets



The Society continues to reduce liquidity risk, particularly important in an uncertain economic environment. In 2018 the Board took the decision to stop investing in fixed terms certificates of deposit and invest only in the Bank of England. The impact of this conservative treasury approach can be demonstrated in the Liquidity Coverage Ratio, 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.

	2017	2018
Liquidity Coverage Ratio	319%	457%

Results for the year	2018	2017 (represented)
	£000	£000
Net interest receivable	2,374	2,468
Other income and charges	68	31
Administrative expenses and depreciation	(1,896)	(1,746)
Provisions for loan impairments	(78)	(73)
Provisions for contingent liabilities and commitments		
FSCS levy	5	-
Profit for the year before taxation	473	680
Taxation	(90)	(135)
Profit for the year	383	545

2017 figures have been represented to reflect changes to the Society's presentation of mortgage fee income under the Effective Interest Rate (EIR) methodology per FRS102. This change is presentation only and does not impact the profit figure.

Financial position at the end of the year	2018	2017
	£000	£000
Assets		
Liquid assets	40,862	35,248
Mortgages	148,947	148,673
Fixed and other assets	1,593	1,609
Total assets	191,402	185,530
Liabilities		
Shares	160,740	154,448
Borrowings	17,412	18,179
Other liabilities	268	304
Subordinated liabilities	1,750	1,750
Revaluation reserve	676	676
General reserve	10,556	10,173
Total reserves and liabilities	191,402	185,530

2017 figures have been represented to reflect changes to the Society's presentation of accrued mortgage fee income under the Effective Interest Rate (EIR) methodology per FRS102.

Approved by the Board of Directors on 8 February 2019 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	2018 %	2017 %
Gross capital as a percentage of shares and borrowings	7.29	7.30
Free capital as a percentage of shares and borrowings	6.71	6.73
Liquid assets as a percentage of shares and borrowings	22.94	20.42
Profit for the year as a percentage of mean total assets	0.20	0.29
Management expenses as a percentage of mean total assets	0.98	0.91

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 2017 and 2018 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 2018 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 2018 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 2018, 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 2018.

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 Member Review, 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.

David Allen

for and on behalf of KPMG LLP,
Statutory Auditor