



NEWBURY
building society
Head Office

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MEMBERS' REVIEW
INCORPORATING SUMMARY
FINANCIAL STATEMENT FOR
THE YEAR ENDED 31 OCTOBER 2019

Members' Review

The Directors have pleasure in presenting the Members' Review incorporating the Summary Financial Statement of the Society for the year ended 31 October 2019.

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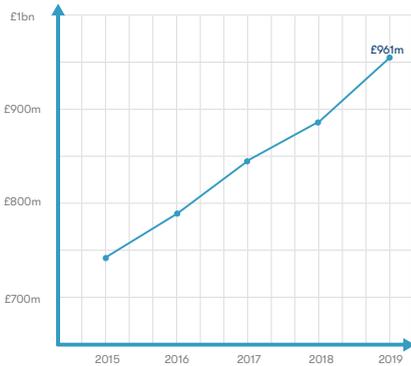
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Our Highlights

Mortgages

- Our mortgage book increased by £65m to £961m (7.1%)
- We lent £201m to mortgage customers (2018: £197m)
- Strong demand for our residential and first time buyer products
- There were no mortgage losses in the year

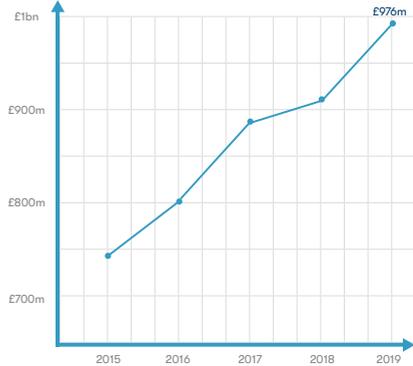
Mortgage Balances



Savings & Funding

- Savings balances increased £63m to £976m (6.9%)
- The performance of a number of easy access and ISA accounts were significant factors in the growth
- We held funding of £115m from the Bank of England Term Funding Scheme at year end (2018: £125m)

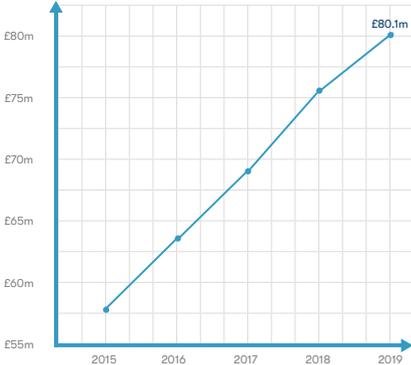
Savings Balances



Financial strength

- Our regulatory capital grew £4.5m to £80.1m (6%) (2018: £75.6m)
- Our Total Capital Ratio reduced to 20.0% (2018: 20.4%)
- Our profit after tax was £4.4m (2018: £6.6m)
- We held £217m of liquidity at year end (2018: £212m)

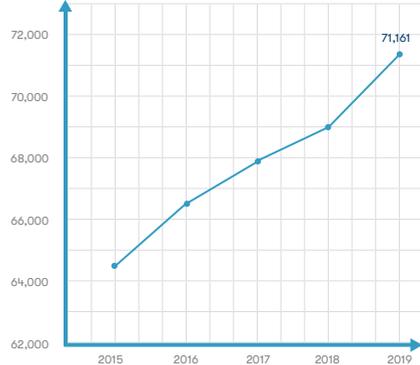
Capital



Members

- Our member numbers increased by over two thousand to 71,161
- Our mystery shopping scores averaged 97% (2018: 95%)
- Complaints as a percentage of members was 0.16% (2018: 0.08%)

Member Numbers



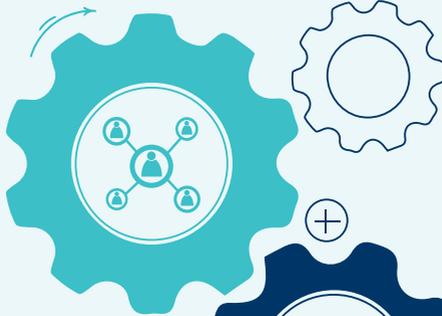
Purpose, Vision and Culture

To be the trusted provider of mortgages and savings in our operating area.

Our purpose statement supports the actions we take in the interest of our members, colleagues and the communities we serve.

MEMBER FOCUSED

To put our members and their communities at the centre of everything we do.



MEMBER OWNED

To be a mutually owned regional building society.



OUR PEOPLE

To engage, support and develop our people to be the best they can be.



SAFE

To ensure our financial and operational strength is maintained.



SERVICE DRIVEN

To provide a high quality, individual service through our branches and technology.



VALUE

To offer attractive products and services appropriate to our member's needs.



Community support in 2019



CEO, Roland Gardner and Direct Sales Manager, Luke Pummell, visited Winchester branch's charity partner, Friends of PICU, at Southampton University Hospital to see first-hand the important work the charity undertakes.



Citizens Advice West Berkshire was awarded £500 from Newbury Building Society's Community Support Scheme to help fund the running of 20 financial literacy sessions.



Alton Branch Manager Becky Reynolds and Chief Risk Officer Lee Bambridge visited Alton Food Bank to deliver donations made in branch and discuss how our employees and members can support this much needed service.



Andover Branch Manager Cliff Osborne and Operations and Sales Director Philippa Cardo visited the Countess Of Brecknock Hospice to present the funds raised by the branch team and our members during the year and also to discuss the different ways in which the Society will support their work moving forward.



Our Wokingham branch team visited their partner charity, Sue Ryder's Wokingham Day Hospice, to help brighten up the outdoor seated area for patients.



Marketing Manager Emma Simms presented Newbury Gymnastics Club with a cheque of £500 to replace old and worn equipment through the Society's Community Support Scheme.



Colleagues from the Society's Basingstoke branch raised an impressive £1,486.26 by completing this year's sponsored Moonlight Walk in aid of their branch charity partner, St Michael's Hospice.



Our Wokingham branch team completed this year's Forget-Me-Not walk in support of their branch charity partner, Sue Ryder, raising £680.



The Society's Community Support Scheme awarded Berkshire Maestros £500 towards the organisation's ongoing funding campaign to raise £17,773 for its Mini Maestros initiative to provide 10 weeks of free music classes for children aged 0-3 years across Berkshire.

Summary Financial Statement

This Financial Statement is a summary of the information in the Audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand from all Newbury Building Society offices from 10 February 2020 or can be downloaded from www.newbury.co.uk from 2 January 2020.

Summary Directors' Report

Key Performance Indicators*

		2019	2018
Balance sheet	Assets	£1.19bn	£1.12bn
	Loan to Customers	£961m	£896m
	Retail Shares and Deposits	£976m	£913m
Operating performance	Management Expenses as a % Mean Total Assets	0.92	0.91
	Interest Margin as % of Mean Total Assets	1.50	1.61
	Mortgage Arrears - on accounts two months or more in arrears	£0.23m	£0.13m
Financial strength	Profit After Tax	£4.4m	£6.6m
	Regulatory Capital	£80.1m	£75.6m
	Total Capital Ratio	20.0%	20.4%
Members	Liquid Assets - as a % of Shares and Borrowings	19.7%	20.5%
	Members - numbers	71,161	68,967
	Mystery Shopping - % score achieved	97%	95%
	Complaints - as a % of members	0.16%	0.08%

* Further information on the definitions is included in the glossary on page 68 of the Annual Report and Accounts.

Performance overview

Assets increased by 6.5% to £1.19bn and profit after tax reduced to £4.4m after last year's outstanding figure of £6.6m. These figures continue the consistent strong performances of recent years, as the Society focuses on growth to sustain itself against its rising costs and the effects of margin compression caused by increasing competition and its imminently expected rising funding cost. As in prior years, growth and profitability have been achieved in an appropriate equilibrium, with the result that the Society's capital ratio has remained broadly unchanged whilst the balance sheet has grown sufficiently to largely absorb the rising costs of running a highly regulated and increasingly technological business.

Mortgage Balances

Mortgage balances rose by 7.1% in the year, a figure achieved against a background of greater competition, declining market transaction

numbers and the increasingly unsettled political and economic horizon. Gross lending at £201m exceeded £200m for the first time and is the fifth successive year of increased gross lending performance. Net lending increased from £53m to £65m and as a result, the total mortgage book for the Society grew from £896m to £961m. There was a strong performance in standard residential owner-occupied lending after a quiet year in 2018, as the Society utilised a combination of competitive pricing, appropriate lending criteria and high quality service to achieve growth in that area of the market. Another core element of the lending during the year was in affordable housing products, which form the starting point on the housing ladder for so many individuals and families.

Our BTL balances to individuals were down £4.2m on the previous year, but this was offset largely by the Society's BTL lending to limited companies which showed a balance increase of £3.5m.

The Society's mortgage book comprises 84.8% residential owner-occupied loans (2018: 83.6%), with the remainder being 12.4% BTL (2018: 13.7%), and 2.8% commercial lending (2018: 2.7%) including limited company BTL. The Society's book remains very high quality with an average indexed loan to value at 31% on the Society's residential mortgages (2018: 32%). Furthermore less than 2.9% (2018: 2.4%) of the balances in the book are more than 80% of the current indexed value of the properties on which their mortgages are secured. Lending over 80% loan to value at inception is insured through a mortgage indemnity policy, which protects the Society from losses incurred if a property is taken into possession during the first ten years of the loan. This year the Society advanced £11.2m on mortgages where the loan to value was over 80%, a modest increase of £0.3m over 2018.

Savings Balances

Savings balances increased by £63.1m during the year, a significant increase on last year's £33.6m. The main reason for the increase was the Society's performance in the fourth quarter when the re-opening of the popular Senior Saver and Treasure Plus accounts to new and existing members created a surge in activity, as the Society took its first planned steps to generate the funding required to refinance the low cost funding borrowed from the Bank of England through the Term Funding Scheme (TFS). The Society naturally wishes to avoid excessive liquidity levels but as it has £115m TFS borrowing to refinance by February 2022, it is prudent to begin the process at this stage. That said, in order to control the cost and volume of inflows into savings accounts, the Society continued to keep a number of its accounts closed to new business and for the second consecutive year only permitted a reduced annual subscription into the Existing Members Account (EMA). Despite this restriction, the account continued to prove very popular and generated over £13m of the year's inflow.

The majority of accounts continue to be priced favourably against the market and unlike some of our peers, who cut interest rates during the year, no changes were made to the rates of any accounts. The policy of protecting higher paying accounts for the benefit of existing members meant the Society restricted its one year fixed rate bonds to only those members with maturing bonds, although a three year bond

was offered in the latter part of the year. It was fully subscribed and withdrawn in November. A new corporate savings account (Business Saver) was launched in October to cater for demand from limited companies and businesses.

Management Expenses

The Society's management expenses (ME), including depreciation and amortisation, increased by 9.2% from £9.69m to £10.58m during the year, with the result that the ME ratio increased by 0.01% to 0.92%. The main reasons for the increase were employee costs: firstly an increasing head count at Head Office required to manage the increasing complexity and growth of the business, and secondly the fact that the Society has to compete for talent in the South East of England, which is a full employment area and where a shortage of skills exists in certain fields, thereby putting pressure on starting salaries in particular.

Interest Margin

As planned, the Society's interest margin reduced during the year, by 0.11% to 1.50%, primarily as a result of lower average interest rates to new borrowing members and as existing members transfer onto lower priced mortgage deals on maturity of their current products.

The Board anticipates the margin will reduce further next year, not only because the full impact of lower mortgage pricing will continue to reduce income, but also because average savings rates are anticipated to increase due to the greater availability of higher paying accounts for new and existing members than were available this year. We have consistently tried to protect our savings members from the low interest rate environment and our average rate payable at the end of the year stood at 1.30%, with no account paying lower than 0.5% (0.4% if the member allows the balance to fall below the account minimum).

Mortgage Arrears

The Society's arrears and possession statistics remain low both for the building society sector and for the industry as a whole. The low arrears level is reflective of the macro-economic environment, with ongoing low mortgage rates assisting customers with their repayment obligations. However, the position also reflects our low risk business model and prudent underwriting approach. We always seek

to ensure that customers can afford to meet their mortgage repayments from the outset and throughout the full duration of their mortgage term. It is this approach that has ensured arrears levels have remained below industry average and although the numbers are generally up on last year, the statistics still show a proportionately low number of cases, which demonstrates the effectiveness of good quality counselling and the quality of underwriting processes over many years.

The value of arrears for cases more than two months in arrears increased from £0.13m to £0.23m and the number of borrowers in this category increased from 28 to 41 accounts. There were six cases in serious arrears of twelve months or more at our year-end (2018: six cases). The total amount of arrears outstanding on these accounts was £130,000 (2018: £70,000) and the aggregate balances were £475,000 (2018: £749,000). The Society had two properties in possession at year end (2018: nil). No other properties were taken into possession during the year. The Society also incurred no mortgage losses during the year (2018: nil). The Society shows forbearance to borrowers where appropriate, and there were 52 accounts at 31 October 2019 (2018: 37) where clients were benefitting from a forbearance action such as temporary interest only concessions, payment plans or reduced payment concessions.

Profit

The Society's profit after tax as a percentage of mean total assets reduced from 0.62% in 2018 to 0.38% in 2019, as profits reduced from £6.6m to what is nevertheless a healthy £4.4m. After building up the Society's capital reserves in recent years, this reduced level of profitability is at an appropriate level to support continued lending growth and the Society's ongoing need to maintain its capital strength in response to the higher capital levels and buffers set out under the Capital Requirements Directive (CRD). In addition, the fact that the Society needs to invest in both its buildings and in technological developments, the profit provides the capital for such investment but without the consequence of any significant weakening in its capital ratios.

Capital

The Board is conscious that both members and the Regulator require the Society to be financially secure. Financial strength protects

the Society against its principal risks and uncertainties (see page 13) and safeguards member funds. Given the continuing emphasis on high quality capital by world banking authorities, the Board sets a strategy to ensure that capital is maintained at an appropriate level to cater not only for its day to day business needs but also for significant stresses in the marketplace. As a result of this year's profitability, the reserves stand at the highest ever level and at 31 October 2019 were as follows:

	2019	2018
	£000s	£000s
Capital:		
Tier 1 Capital	79,070	74,756
Tier 2 Capital	1,037	817
Capital Resources	80,107	75,573
Capital Ratio	20.0%	20.4%

Liquidity

The Society maintains a prudent level of liquid assets, of appropriate quality, to meet its financial obligations as they fall due, under normal and stressed conditions. Liquid assets (which comprise cash and investments as shown on the statement of financial position) were broadly unchanged at year end with the Society holding £217m (2018: £212m). Liquid assets as a percentage of shares and borrowings decreased modestly to 19.7% (2018: 20.5%). As the Society commences the repayment of its TFS funding, the level of liquidity will reduce over the next two and a half years to a level commensurate with its anticipated future needs.

The two key measures of liquidity introduced under CRD are the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR'). The Society remains well in excess of the minimum levels required for both measures, with the LCR at the end of the year being 327% (2018: 387%) and the NSFR at 152% at the end of September (2018: 152%).

Retail savings continue to be the cornerstone of our funding, with the remainder obtained from the secured and unsecured wholesale funding markets. The Bank of England's TFS has continued to provide access to secured funding with £115m (2018: £125m) borrowed as at year end, with a further £13.7m (2018: nil) borrowed unsecured from a range of other counterparties.

Service to Members

The Board recognises that as a membership organisation, the service to members is of paramount importance. Our service is in demand and we exceeded 70,000 members for the first time as our member base grew by over 2,000 during the year, taking us to a total of 71,161 (2018: 68,967). Many new members enjoy the benefits, including the attractive rate, of the Welcome to Newbury account as their introduction to the Society, thus re-enforcing the message that the combination of a strong service proposition with competitive interest rates is an effective strategy for the Society to follow.



Head of Customer Service Melanie Mildenhall accepted the coveted ServiceMark accreditation from the Institute of Customer Service for outstanding achievement and commitment to customer service excellence – the only UK-based building society to be so recognised.

The highlight of the year was the Society's Servicemark accreditation awarded by the Institute of Customer Service (ICS). This accolade was a result of the Society's satisfaction rating improving over two years to 90.8 (2017: 89.1) and its Net Promoter Score also increasing to 67 (2017: 65) when they were last measured. The ICS representative who conducted the accreditation process made a number of positive comments, an example of which is, "it was clear during conversations with the senior members of staff and throughout all levels of employees that the responsibility for delivering great customer experience is taken personally, as well as seriously and with great passion".

In addition to our financial performance measures, the Board monitors a range of customer service activities designed to ensure we offer high quality service in a way that meets

our customers' requirements. It is pleasing to note that independently assessed mystery shopping scores have remained above 90% for the sixth successive year. When that is coupled to the significant number of positive reviews from members made via the independent Smart Money People review site, the Board is significantly reassured by the quality of service members receive.

“ It was clear during conversations with the senior members of staff and throughout all levels of employees that the responsibility for delivering great customer experience is taken personally, as well as seriously and with great passion. ”

ICS representative

The Society received complaints from 0.16% (2018: 0.08% of our members). The number of complaints rose during the year as an increased level of MPPI (Mortgage Payment Protection Insurance) complaints were made in advance of the August deadline for historic complaints of this type. Many of the complaints received were speculative as became clear when investigation showed that less than a quarter of the complainants had actually bought a policy through the Society. Excluding historic MPPI complaints, the ratio was 0.06% (2018: 0.04%). It is always our intention to satisfy complaints fairly and promptly so that our members do not need to recourse to the Financial Ombudsman Service. When the Society occasionally does get things wrong, we strive to correct errors as quickly as possible, with appropriate compensation when applicable.

Community

The communities in which our branch network operates sit at the heart of the Society. We make it our mission to support those who live and work in our branch communities by undertaking fundraising activities, taking part in community events and offering sponsorships. Our head office and branch employees support their charity partners by undertaking volunteering activities throughout the year and the Society also match-funds the totals raised to provide further financial support to worthwhile causes.

In total this year, the Society made donations totalling nearly £54,000 (2018: £33,000) in support of local charities and community organisations. No contributions were made for political purposes.

During the year, fundraising activities included:

- The Basingstoke team taking part in the annual Moonlight Walk in aid of St Michael's Hospice
- Abingdon branch employees hosting a quiz night to raise funds for Helen & Douglas House
- Wokingham branch employees undertaking the Sue Ryder Forget-Me-Not 10km walk in support of the Duchess of Kent hospice

The Society continued to offer all employees the opportunity to take two days paid leave to support community projects or local charities of their choosing through volunteering. During the financial year 2018/19, employees completed 153 volunteering hours. Activities included:

- Hungerford branch employees visited Prior's Court Foundation and helped to tidy and clear its Countryside Learning Centre
- The Didcot team helped Chilton County Primary School to decorate its outdoor space for students
- Andover branch served hot drinks and mince pies at the Countess of Brecknock's 'Light Up a Life' service

The Society donated a total of £11,426 to 26 local community projects as part of its Community Support Scheme. Now in its third year, the scheme continues to provide financial awards between £100 and £500 to local organisations involved in improving community life within the Society's ten branch towns.

Projects which benefitted from the Community Support Scheme in 2018/19, included:

- Citizens Advice West Berkshire, Newbury: the not-for profit organisation requested support for its money management seminars to assist clients living in debt
- Here4Me, Thatcham: an Action for Children initiative, the project was awarded a grant to help fund recreational activities for 20 disadvantaged children
- Keep Mobile, Wokingham: the charity received a financial award to help with the running costs of its volunteer-run accessible community transport service

Other events and activities undertaken in our communities included:

- The launch of the first NBS Community Champion Awards to celebrate individuals who make a difference to the lives of others in the community
- The Society, in partnership with not-for-profit group WizeUp, hosted a series of one-hour forums which focussed on important money matters with students from Park House secondary school in Newbury
- Junior Newbury Building Society (JNBS) continued to provide primary school children the opportunity to learn how to save and understand basic personal finance matters in a fun and interactive environment

The Society's Charity savings account grew in popularity and the Society continued to make an annual donation of 0.4% of balances in accounts to each member's preferred charity. During the financial year 2018/19, over £21,000 was paid from this source, split between the chosen charities.

Newbury Building Society was recognised by the Rosemary Appeal trustees for its support in the realisation of The Greenham Wing at West Berkshire Community Hospital. In total the Rosemary Appeal raised more than £5.5 million to construct a high-spec renal dialysis unit and a cancer care unit; a lifeline for patients based in West Berkshire, Hampshire and South Oxfordshire, who previously had to travel to the Royal Berkshire Hospital in Reading for treatment.



CEO Roland Gardner and Newbury branch staff Nicola King-Head and Matthew Harris accepted a certificate of thanks from The Rosemary Appeal Committee trustees.

Since 2016 the Society has also been actively managing its carbon footprint. A carbon footprint is the amount of total greenhouse

gas emissions (GHG) caused directly by an individual or organisation and is measured in Carbon Dioxide Equivalent (CO₂e). Measuring the GHG emissions and sources will help Newbury Building Society understand the impact it is having on climate change and identify areas where reductions can be made. The Society's organisational carbon footprint totalled 135.95 tCO₂e (tonnes of carbon dioxide equivalent) for 2018-19, which represents a modest reduction of 1.1% compared to the previous year's 137.43 tCO₂e. From next year, we will include employee owned vehicle and rail travel in the calculation. This year's travel equated to 29.37 tCO₂e, and this will therefore form the basis for comparison from next year.

The Society has introduced a programme of reducing its carbon footprint through, for example, the installation of more efficient gas boilers and new LED lighting, as well as introducing technology to facilitate on-line meetings. An awareness of the impact of climate change, and the Society's impact on its environment, is an increasing part of the Society's culture.

Future

There are many challenges ahead for the Society as large banks, second tier competitors and new 'challengers' seek to increase their market share, which inevitably means competition is increasing. This can be good for members and it will remain our intention to offer fair-priced savings and mortgage products, to lend responsibly and to support borrowers to achieve their housing aspirations. The Society will continue to provide a full mortgage and savings service in its branches and operate in niches where the wider market lacks capacity or capability. Supplemented by the Society's online savings capability, which allows members to view their accounts and transfer money to their current account, members enjoy the real advantages of a 'bricks and clicks' service.

Technology acts as an enabler to our service proposition and in the last year the Society has improved its customer service by introducing a video advice service for mortgage clients. This offers a significantly enhanced experience to the previous telephone call service for those members not easily able to visit branches at times such as when their mortgage products reach maturity.

Early in the year, the Society engaged the services of two industry experts to form a digital advisory panel, specifically to help the Society develop its digital thinking. We are currently in the design stage of a mobile app intended to take advantage of some of the benefits of open banking, and we will be seeking member volunteers to test the system in 2020.

Whilst technological development will be a key focus, the Board is fully committed to the branch network, promoting a savings culture using fair and transparent products, which offer good value in the short, medium and long term. Our aspiration is for the Newbury brand to be instantly recognisable in our branch towns and synonymous with what differentiates the Society from banks: being a mutual, member centric, with relevant attractive products and exceptional customer service.

The Society's vision to be the chosen provider of savings and mortgages in its operating area remains as strong as ever. As the Society encounters a new era in the provision of Financial Services, characterised by Open Banking and the Fintech revolution, there are more options than ever for people on how to manage their money. The Board is very much aware of the Society's need to embrace change by investing in its staffing and technological capabilities, and members will therefore see changes and improvements to the way the Society delivers its products and services in the coming months and years. The growth and profitability of recent years has provided the foundations for the Society to make these investments, not only for the benefit of our current members but also for those who will be our future members.

From a business perspective the immediate outlook for next year seems challenging as the usual level of mortgage enquiries and applications did not materialise in the Autumn this year. Competition is fierce and is likely to remain tough as we acclimatise to the new order whereby the six biggest lenders are collectively all active in the mortgage market and with sufficient capital and liquidity to compete more intensely than hitherto, following the ring-fencing of their retail activities. With many new challengers also seeking a share of the residential mortgage market, and specialising in the types of niche lending which have been the hallmark of the Society's proposition in recent

years, the prospects for profitable balance sheet growth are not as strong as they have been. Whilst we will remain vigilant for any opportunities that may arise as a consequence of these difficult trading conditions, we believe that the next 12 months will in reality offer a diminished opportunity to return results at the levels of recent years.

“ Members will see changes and improvements to the way the Society delivers its products and services in the coming months and years ”

The Board is aware that house prices in the south east have stalled in recent months as the market takes a watchful eye over political developments, specifically the outcome of withdrawal negotiations with the EU. Confidence levels are low which means the Society will continue to pay particular regard to the appropriateness and quality of its mortgage lending, to ensure that there are no shocks, should the market experience unexpectedly high price reductions in the wake of the Brexit process. The safety of savings balances is the top priority and the capital strength of the Society means that the Society comfortably passes all its stress tests. In addition to that, the Board has adequate plans in place to cater for an unruly market, and if necessary by reviewing the aims of the Corporate plan.

Notwithstanding the political uncertainty at the time of writing, the Board believes that a successful future lies ahead for the Society as an independent, branch-based, technologically enabled and vibrant mutually-owned business.

Governance

There has been one change to the Board this year, with Christine (Chris) Brown joining the Board as a Non- Executive Director in June, following Tracy Morshead's retirement at last year's AGM. Chris brings her career expertise to the Society as Chief Information Officer for a wide range of businesses, at a time when technology and digital capability are at the forefront of the Board's strategic agenda.

There will be a further change in the Board

following the AGM in February when our Senior Independent Director, Ron Simms, will be retiring from the Board when his period of office expires. Ron has served the Society and Board during a period of significant change and success and he has been Vice Chair and Senior Independent Director for the last two of the nine years he has served the Society. During his tenure he has at various points been a member of all four Board sub-committees, most notably as Chair of the Audit Committee and Chair of the Remuneration Committee. He has consistently championed the voice of the member, ensuring that we maintain top class service levels, catalysed by a vibrant conduct agenda. We are currently conducting a search for a new Non-Executive Director to commence early next year. We offer Ron our very best wishes for the future and thank him for his notable contribution to the Society's success.

The Board is committed to best practice in Corporate Governance. The report on pages 18 to 20 of the Annual Report and Accounts explains how the Society applies the principles contained in the UK Corporate Governance Code as well as setting out the review of Committee activities that occurred during the year.

As an equal opportunities employer, the Society values the differences that a diverse workforce can bring, and is committed to ensuring within the framework of the law that its workplaces are free from unlawful or unfair discrimination because of race, nationality, ethnic or national origin, gender (including gender reassignment), sexual orientation, age, religious beliefs, marital status or disability.

Risk management framework

The Society operates in a business environment that contains a wide range of financial and non-financial risks. To ensure that these risks are contained within the Board's risk appetite a Risk Management Framework (RMF) operates throughout the Society. To enable a clear focus on this area, the Board delegates the oversight of the RMF to the Risk Committee. The Chief Risk Officer, who is an Executive Director on the Board, oversees the effective implementation of the RMF including the review of risks and uncertainties in the business.

The Society's RMF defines the three lines of defence model used to manage risk. This ensures a clear separation between the ownership of

risk and controls (first line), oversight, support and challenge (second line) and internal audit assurance (third line).

Principal Risks and Uncertainties

The principal risks to which the Society is exposed, along with how they are controlled and the associated policies, are consistent with previous years and are set out below.

The Society has a cautious risk appetite across all its principal risks. The Risk Committee reviews both the key risk indicators for each principal risk and the output from a range of stress tests to ensure that risk levels remain within the Society's agreed risk appetite.

Strategic Risk

Strategic risk is the impact on the Society's business model as a result of competition, legislation and macro-economic conditions. These have the potential to reduce the Society's profit levels and contribution to capital, thereby threatening the financial strength of the Society.

The Board will not seek out strategic options which have a potential to create losses to capital, although will consider options that could result in reduced profit in the short to medium term provided that the capital ratio remains within appetite. Strategic risk is regularly considered by the Board.

Credit Risk

Credit risk is the risk that mortgage loan customers or treasury counterparties default on their obligation to repay the Society.

Mortgage credit risk is controlled in accordance with the Board-approved lending policy and by strict controls over lending mandates. Lending is done on prudent terms, is maintained within carefully controlled limits and is subject to regular Credit Committee and Board reviews.

Whilst the policy allows lending in a limited number of niche areas which may be considered to have a greater degree of risk, this is mitigated by the fact that these are areas where the Society either has significant experience or has set non-material limits and each application is carefully underwritten by an experienced team.

Counterparty credit risk is controlled through adherence to the Board-approved Treasury Policy and is regularly reviewed by the Assets & Liabilities Committee with oversight by the Risk Committee. The Policy defines prudent

limits, relating to quality and quantity, on credit exposures to individual and groups of counterparties.

The counterparty limits are developed by reference to credit ratings and other market data and any new counterparties are approved by the Assets & Liabilities Committee in accordance with the Treasury Policy.

Liquidity Risk

Liquidity risk is the risk of the Society failing to meet its financial obligations as they fall due, resulting in the inability to support normal business activity and failure to meet regulatory liquidity requirements. This includes the funding risk of not being able to find new funding to replace outflows or maturing facilities.

The Liquidity Policy is contained within the Treasury Policy, which is reviewed by the Assets & Liabilities Committee and approved by the Board.

Regular stress tests are conducted which help to determine the level of liquidity required to withstand all reasonably foreseeable liquidity stresses. The Society also has a contingency funding plan in place to manage sudden or extreme outflows.

The results of stress testing and the liquidity position are reported to the Assets & Liabilities Committee and the Risk Committee.

Market Risk

Market risk includes interest rate risk and basis risk. Interest rate risk is the risk of mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates, impacting on profitability and the value of the Society's assets and liabilities. Basis risk is the risk that assets and liabilities re-price on a different basis as interest rates change.

Market risk is controlled by setting Board approved limits to control non-administered business (e.g. fixed rate) therefore ensuring the majority of assets are on an administered interest rate. To mitigate the risks associated with non-administered assets, hedging contracts are used in accordance with the Board-approved Treasury Policy. Market risk is regularly reviewed by the Assets & Liabilities Committee. A detailed analysis of the Society's interest rate position at 31 October 2019 can be found in note 24 on pages 61 to 64 of the Annual Report and Accounts.

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, human error or external events. Therefore, operational risks can arise from all of the Society's activities, across all business areas.

The Society has robust processes and controls in place for all operational areas, which are designed to mitigate this risk and uses software to help manage the risk by providing a single source of data for risk events, actions, horizon scanning and controls testing.

Whilst effective operational risk management will help to mitigate the likelihood and impact of operational risk, it is not possible to eradicate the risk. To ensure operational resilience, the Society protects against disruption resulting from operational risk events (such as cyber or data loss) by having controls in place to reduce risk exposures (prevention), having clear tolerances on what can be absorbed and having actions in place to respond beyond these points (response), and having clear plans and arrangements in place to respond to and recover from incidents and to learn and adapt from operational disruption (recovery).

A range of metrics and risk limits are used to monitor the Society's ability to recover from an operational risk event in line with the defined risk tolerances for the key business services.

The Board is aware of significant operational issues, particularly relating to systems, which have occurred in banks. The security and robustness of systems have been a key focus in recent years, with ongoing developments to the Business Continuity Plan, including upgrading of disaster recovery facilities, and network security including penetration testing.

The Executive Committee and Risk Committee receive management information relating to operational risk and resilience. The Audit Committee is responsible for assessing the effectiveness of the system of inspection and control.

Legal and Regulatory Risk

Legal and Regulatory risk is the risk of fines, public censure, limitations on business or restitution costs arising from failing to understand, interpret, implement and comply with legal and regulatory requirements. Legal and Regulatory change is closely monitored and

reported to the Executive Committee and Board.

Conduct Risk

Conduct Risk is the risk of developing systems, behaviour and attitudes within the Society which do not deliver fair customer outcomes or which create an environment which does not result in staff being open, honest, and doing the right thing.

The Society is committed to treating customers fairly and this is underpinned by the Society's Conduct Risk Framework, which is regularly reviewed by the Risk Committee and approved by the Board.

The Customer Committee monitors conduct risk at an operational level, with oversight provided by the Risk Committee.

Other Risks

In addition to these, the Society is at risk from uncertainty in the economic environment, including political changes and the potential implications of Brexit, which could impact the markets in which we operate. For example, changes in the strength of the UK economy and interest rate levels could influence the demand for our products and our customers' ability to repay their mortgages.

The Society also recognises the risks and challenges posed by climate change. While the financial risks from climate change may only crystallise in full over longer time horizons, they are becoming apparent now. The Society particularly recognises two risks: physical and transitional. Physical risks relate to specific weather events such as flooding, or longer-term events such as rising sea levels. A key element of this risk is to property, both the Society's own properties and properties held as security for lending. Transition risks can arise from the process of adjustment towards a low-carbon economy. This could lead to a changing regulatory expectation in terms of the way the Society is expected to run its own business, including who it uses as suppliers. It may also impact property held as security, for example the energy efficiency expectations of properties mortgaged for Buy to Let purposes. The Society is increasingly mindful of these risks when making business decisions, including mortgage underwriting ones. The Finance Director has responsibility for monitoring climate change risk at an operational level, with oversight provided

by the Risk Committee.

Directors

The following served as Directors of the Society during the year:

- | | |
|---------------------------------------|-------------------------------------|
| • Peter Brickley | • Phillippa Cardno |
| • Roland Gardner | • Sarah Hordern |
| • Lee Bambridge | • William Roberts |
| • Kieron Blackburn | • Zoe Shaw |
| • Ron Simms | • Piers Williamson |
| • Tracy Morshead
(retired 21/2/19) | • Chris Brown
(appointed 1/6/19) |

Biographies of the Directors appear on pages 20 and 21. None of the Directors had any beneficial interest in any connected undertaking of the Society as at the year-end. The Society maintains liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986. There are no Directors' indemnities.

The Directors retiring at the Annual General Meeting are Peter Brickley, Lee Bambridge and Piers Williamson who, being eligible, offer themselves for re-election. Chris Brown who was appointed to the Board since the last AGM, and being eligible, stands for election.

Other Matters

Creditor Payment Policy

It is the Society's policy to pay suppliers within agreed terms providing the supplier performs according to the terms of the contract. The number of creditor days at 31 October 2019 was 0 (2018: 7).

Events since the Year-End

The Directors do not consider that any event since the year-end has had a material effect on the position of the Society.

Auditor

The Board are recommending that Deloitte LLP are re-appointed as external auditors of the Society for 2019/20. A resolution for their appointment will be proposed to the forthcoming Annual General Meeting of the Society.

Political Donations and Gifts

The Society has not made any political gifts or donations (2018: £0) in the year to 31 October 2019.

Financial Instruments

The Society's use of financial instruments is contained in the Society's Accounting Policy note on page 38 of the Annual Report and Accounts.

Going Concern

The Directors are required to consider whether the Society will continue as a going concern for a period of twelve months from the signing of the accounts.

In considering the position the Directors have reviewed the Society's Corporate Plan and the stress tests undertaken on the plan, which cover the risks that could impact the Society's business model. In addition, as part of the planning process the Society conducts an Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). The Society stresses its capital and liquidity plans, under "severe but plausible" stress test scenarios, in line with Prudential Regulation Authority (PRA) requirements. The ICAAP ensures that the plan projections for capital requirements and capital generation are resilient to stresses should the environment deteriorate beyond the levels currently envisaged in the Corporate Plan. A capital buffer is held to ensure the Society can deal with any plausible erosion in its capital and still meet its regulatory capital requirements. The ILAAP test ensures that the Society holds sufficient liquid assets to meet its liquidity needs not only under normal circumstances but if the Society was to enter into a period of stress.

Brexit could also cause significant disruption to the UK economy and the markets within which the Society operates. This risk is considered in more detail in the Strategic Report on page 4 of the Annual Report and Accounts. However, the Board remains confident that given the Society's high-quality balance sheet, robust capital ratios and careful approach to managing risk, the Society is in a strong position to manage any negative impacts that may materialise.

After considering all of this information including the Society's capital and liquidity positions, the Board is satisfied that the Society has adequate

resources to continue in business for at least the twelve-month period from the signing of the accounts.

Pillar 3 disclosures

The Society is required to set out its capital position, risk exposures and risk assessment processes in its Pillar 3 disclosures document.

These are available on the Society's website.

Peter Brickley
Chairman

Roland Gardner
Chief Executive
18 December 2019

Summary Statement

	2019	2018
	£000	£000
Society results for the year		
Net interest receivable	16,926	17,694
Other income and charges	(63)	(67)
Net (loss) / gain on derivatives	(512)	163
Administrative expenses	(10,575)	(9,689)
Provision for bad and doubtful debts	(298)	(49)
Provision for FSCS levy	-	122
Profit for the financial year before taxation	5,478	8,174
Taxation	(1,068)	(1,582)
Profit for the year	4,410	6,592
Group financial position at the end of year		
Assets		
Liquid assets	217,228	212,118
Derivative financial instruments	70	572
Mortgages	960,515	895,890
Fixed and other assets	10,083	6,925
	1,187,896	1,115,505
Liabilities		
Shares	938,630	876,556
Borrowings	165,624	160,850
Derivative financial instruments	1,920	260
Other Liabilities	2,278	2,426
General Reserves	79,444	75,413
Total liabilities	1,187,896	1,115,505
Key financial ratios		
	%	%
Gross capital as a percentage of shares and borrowings (note 1)	7.19	7.27
Liquid assets as a percentage of shares and borrowings (note 2)	19.67	20.45
Profit for the year as a percentage of mean total assets (note 3)	0.38	0.62
Management expenses as a percentage of mean total assets (note 4)	0.92	0.91

Peter Brickley Roland Gardner Kieron Blackburn
 Chairman Chief Executive Finance Director

18 December 2019

Notes to the Summary Statement

1. The gross capital ratio measures the Society's capital as a proportion of its shares and borrowings. The Society's gross capital consists of general reserves and revaluation reserve which have been accumulated over many years.
2. The liquid assets ratio represents the total of cash, deposits and government securities held by the Society as a proportion of the Society's shares and borrowings. Liquid assets are held by the Society for prudential purposes in order to meet investor withdrawals from their accounts, make mortgage advances to borrowers and to fund general business activities.
3. Profit for the year as a percentage of mean total assets represents the Society's profit for the year (after tax) as a proportion of the average total assets held during the year.
4. The ratio of management expenses to mean total assets is one of a range of ratios, widely used in the industry, to measure administrative efficiency.
5. An Audit Report is included in the Annual Report and Accounts.

Independent auditor's statement to the members and depositors of Newbury Building Society

We have examined the summary financial statement for the year ended 31 October 2019 which comprises the summary Income Statement and Statement of Financial Position together with the summary Directors' Report.

This report is made solely to the Society's members, as a body, in accordance with section 76(5) of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the summary financial statements, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Business Review and Summary Financial Statement with the annual financial statements, 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.

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

We conducted our work in accordance with Bulletin 2008/3 "The auditor's statement on the summary financial statement in the United Kingdom" issued by the Auditing Practices Board. Our report on the Society's full financial statements describes the basis of our audit opinion on those financial statements.

Opinion on summary financial statement

In our opinion the summary financial statement is consistent with the full financial statements, the Annual Business Statement and Directors' Report of Newbury Building Society for the year ended 31 October 2019 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Deloitte LLP

Statutory Auditor
Birmingham, United Kingdom

18 December 2019

Non-Executive Directors



Peter Brickley
Chairman of the Board

Peter was appointed to the Board of Directors in July 2008 and was elected Chairman in February 2015. He is the Chief Information Officer for a European beverage business. Peter is Chairman of the Risk and Nomination Committees and a member of the Remuneration Committee.



Ron Simms
Vice Chairman

Ron was appointed to the Board of Directors in June 2010 and is the Society's Senior Independent Director. He is a Solicitor and a Director of a service company providing in-house legal services. Ron is Chair of the Audit and the Remuneration Committees and is a member of the Nomination and Risk Committees. Ron retires from the Board following the AGM.



Sarah Hordern
Non-Executive Director

Sarah was appointed to the Board of Directors in February 2015. She is a Chartered Accountant and former joint Managing Director of Newbury Racecourse and is currently a strategic property consultant. Sarah is a member of the Risk, Remuneration and Nomination Committees.



William Roberts
Non-Executive Director

William was appointed to the Board of Directors in February 2015. He is a Chartered Accountant and is Finance Director for Hastoe Housing Association. William has more than 20 years' experience in the property sector and 15 years' experience in the Housing Association sector. William is a member of the Audit and Risk Committees.



Zoe Shaw
Non-Executive Director

Zoe was appointed to the Board of Directors in September 2017. She has been General Manager at a German bank, CEO of a credit fund and Head of Fixed Income at a leading UK pension fund manager. She has extensive experience of the UK property market. Zoe is a member of the Risk Committee.



Piers Williamson
Non-Executive Director

Piers was appointed to the Board of Directors in January 2018. He has more than 30 years' financial markets experience specialising in treasury risk management and is Chief Executive of The Housing Finance Corporation, a mutual company that lends funds to Housing Associations. Piers is a member of the Audit, Remuneration, Risk and Nomination Committees.



Chris Brown
Non-Executive Director

Chris was appointed to the Board of Directors in June 2019. She is the Group IT Director of Manpower UK. She has 15 years experience of leading all aspects of technology and digital in commercial organisations, of which 10 have been spent in financial services. Chris is a member of the Risk Committee and the Digital Panel.

Executive Directors



Roland Gardner
Chief Executive

Roland joined the Society in 1987 and was appointed to the Board of Directors in September 2006. He was appointed Chief Executive on 1 February 2007 and is responsible for the Society's strategic development, leading the Executive team, providing leadership and direction throughout all areas of the business and for setting and maintaining culture and standards.



Lee Bambridge
Chief Risk Officer

Lee joined the Society and the Board of Directors in July 2007. He is a Chartered Accountant and a Corporate Treasurer. Lee acted as the Society's Finance Director until February 2018, when he was appointed Chief Risk Officer. Lee is responsible for the Society's Risk and Compliance functions.



Phillippa Cardno
Operations & Sales Director

Phillippa joined the Society in 1996 and was appointed an Executive in 2007. She was appointed to the Board of Directors in February 2015 as Operations and Sales Director and is responsible for operational strategy and performance as well as the Society's IT function and Lending Policy.



Kieron Blackburn
Finance Director

Kieron joined the Society and the Board of Directors in February 2018, following nine years as Finance Director at Ipswich Building Society. He is a Chartered Accountant and is responsible for the Society's capital, liquidity and funding position as well as for financial reporting.

Executives



Gorse Burrett
Head of HR and People Development

Gorse joined the Society and the Executive team in October 2018. She is a Chartered Fellow of CIPD and an Executive Coach. She is responsible for leading, developing and implementing the Society's HR and people strategy. Gorse reports to the Chief Executive.



Erika Neves
Head of Risk & Company Secretary

Erika joined the Society in 1991 and was appointed an Executive in 2002. She is Company Secretary, heads the Risk function and reports to the Chief Risk Officer. Erika is a graduate with the Certificate and Diploma in Mortgage Advice and Practice.



Melanie Mildenhall
Head of Customer Service

Melanie joined the Society in 1994 as a graduate and was appointed an Executive in January 2019. She is responsible for leading, developing and implementing the Society's Customer Service strategy. Melanie also heads the Branch and Customer Support functions and reports to the Operations and Sales Director.

Directors' Attendance Record

Board member	Board	Audit	Risk	Remuneration	Nomination
Non-Executive					
Peter Brickley	10 (11)		4 (4)	4 (4)	3 (3)
Chris Brown ¹	4 (4)		2 (2)		
Sarah Hordern	11 (11)		4 (4)	4 (4)	3 (3)
Tracy Morshead	3 (3)		1 (1)		
William Roberts	10 (11)	4 (4)	4 (4)		
Zoe Shaw	10 (11)		3 (4)		
Ron Simms	11 (11)	4 (4)	4 (4)	4 (4)	3 (3)
Piers Williamson	11 (11)	4 (4)	4 (4)	3 (3)	3 (3)
Executive					
Roland Gardner	11 (11)	4 (4) A	4 (4) A	4 (4) A	3 (3) A
Lee Bambridge	11 (11)	4 (4) A	4 (4) A	4 (4) A	3 (3) A
Kieron Blackburn	11 (11)	3 (4) A	4 (4) A		
Phillippa Cardno	11 (11)	4 (4) A	4 (4) A		

() = number of meetings eligible to attend | A attendee | ¹ appointed 1 June 2019

Directors' Remuneration Report

This report explains how the Society applies the principles of the UK Corporate Governance Code April 2016 (the Code) relating to remuneration. It also explains how the Society's remuneration policy complies with relevant regulations including the Remuneration Part of the Prudential Regulation Authority's Rulebook and the Financial Conduct Authority's Remuneration Code for dual regulated firms (SYSC 19D).

The Remuneration Committee has determined that, as at 31 October 2019, all seven of the current Non-Executive Directors and the four Executive Directors, as well as three other members of senior management reporting directly to the Executive Directors, were classified as Material Risk Takers (MRTs) and subject to the Remuneration Code. The Remuneration Committee does not consider that any employees who are not members of the Board or the Executive management team should be classified as MRTs.

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.

Comment:

The Society's objective when setting remuneration is to ensure that it is in line with the Society's business strategy, risk appetite and long-term objectives, by being consistent with the interests of our members. Remuneration is set at a level to retain and attract individuals of the calibre necessary to operate and meet the Society's objectives.

Executive Directors Emoluments

The remuneration of the individual Directors is detailed on pages 24 and 25. The remuneration reflects the Directors' specific responsibilities and comprises basic salary, annual performance related pay and various benefits detailed below.

Basic Salaries

Basic salaries are reviewed and benchmarked annually in line with comparable organisations across location, industry and job function.

Performance Related Pay Scheme

The performance related pay scheme is based on the Society's key performance measures of profitability, control of costs, growth in mortgages and increases in savings. A maximum of 11.5% of salary (prior to any salary sacrifice) can be earned for achievement of these targets together

with a maximum 3.5% of salary based on personal contribution. Performance related payments are not pensionable and are paid in cash through payroll.

As a mutual, the Society has no share option scheme, and none of the Directors has any beneficial interest in, or any rights to subscribe for shares in or debentures of, any connected undertaking of the Society.

Benefits

The Society makes a contribution of up to 20.25% of salary (before salary sacrifice where applicable) to Executive Directors' private pension arrangements. Executive Directors receive other benefits comprising private healthcare (covers the Directors and their families), death in service and income protection insurance. The Society does not provide concessionary home loans to Directors.

Executive Directors Contractual Terms

Roland Gardner, Lee Bambridge, Phillippa Cardno and Kieron Blackburn each have a service contract with the Society, terminable by either party giving twelve months' notice. The Society meets contractual obligations for loss of office. Whilst the Remuneration Committee has discretion to provide better terms, this is disclosed to Members if used. An Executive Director is permitted to take on a role as a Non-Executive Director with another firm provided that firm is not a competitor and the associated time commitment can be accommodated. Any such arrangements have to be agreed in advance by the Nomination Committee. There were no new arrangements of this nature entered into during the year.

Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed using information from comparable organisations. Remuneration comprises a basic fee with supplementary payments for the Chairman of the Board and the other Non-Executive Directors classified as Senior Managers to reflect the additional responsibilities of these positions. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any incentive schemes or receive any other benefits. Non-Executive Directors have letters of appointment and these are available for inspection prior to the AGM or at the Society's registered address.

Other Material Risk Takers

The Remuneration Committee is also responsible for determining the terms and conditions of other members of senior management in consultation

with the Chief Executive. These are the Head of Customer Service, the Head of Risk & Society Secretary, the Head of HR & People Development and the Head of IT & Business Change who is due to commence employment on 6th January 2020. These individuals are subject to the same variable pay performance targets and rewards as the Executive Directors and they also receive pension contributions from the Society of up to 15.25% of salary (prior to any salary sacrifice).

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.

Comment:

The remuneration of the Non-Executive Directors, Executive Directors and other members of senior management is overseen by the Remuneration Committee, which consists of four Non-Executive Directors and which meets four times a year. During the reporting period the composition of the Committee satisfied the Code provisions regarding independence. The Chief Executive, the Chief Risk Officer and the Head of HR & People Development attend by invitation but take no part in the discussion of their own salaries. Minutes of the Committee's meetings are distributed to all Board members.

The Remuneration Committee reviews the Society's Remuneration Policy annually and maintains a list of the Society's MRTs detailing the composition of their respective remuneration. In setting remuneration, the Committee takes account of fees and salaries payable and other benefits provided to Non-Executive Directors, Executive Directors and other senior management of building societies that are similar in size and complexity, and other relevant organisations. Periodically, a report may be commissioned from external consultants to assist in this process. The Committee did not use the services of an external consultant during the reporting period. The Committee also ensures that variable remuneration does not undermine the objectivity of the risk and compliance functions.

Non-Executive Directors:

The fees payable to Non-Executive Directors are proposed by the Chief Executive, taking into consideration the views of the other Executive

Directors. The proposed fees are then approved or otherwise by the Remuneration Committee with the Chairman's fees being considered by the Committee in the absence of the Chairman. During the year the Chief Executive's recommendations regarding Non-Executive Director fees were accepted in full.

Executive Directors

The performance related pay scheme is designed to encourage the achievement of key business objectives relating to a balance of financial performance, customer service and sustainable growth over a multi-year timeframe. In setting variable remuneration targets the Committee considers the balance between the fixed and variable components of remuneration to ensure that the ratio is appropriately balanced and in line with the risk profile of the Society. The Committee believes that the performance related targets set for 2019 were suitably balanced and hence risk adjusted.

The Remuneration Committee assesses whether any performance related payments should

be made taking into account reports, where applicable, from the Risk and Compliance functions. Whilst it is not required to do so, the Committee also defers a proportion of the performance related payment to Executive Directors in order to discourage inappropriate risk taking. This is not considered necessary for the remaining members of the senior management team given that they report to the Executive Directors.

AGM Vote

Whilst a binding vote on Remuneration Policy is not considered appropriate for a building society of our size and nature, if more than 25% of the turnout vote against the report, the Remuneration Committee will take steps to ascertain and address the concerns of the Membership.

On behalf of the Committee, I recommend that you endorse our report.

R Simms
Chair of the Remuneration Committee
18 December 2019

Executive Directors' Emoluments

	Salary £000	Performance Related Pay £000 £	Taxable Benefits £000	Pension Contribution £000	TOTAL £000
2019					
Roland Gardner	239	31	4	-	274
Kieron Blackburn	120	18	-	33	171
Lee Bambridge	147	19	4	-	170
Phillippa Cardno	131	21	3	27	182
TOTAL	637	89	11	60	797
2018					
Roland Gardner	229	28	3	-	260
Kieron Blackburn (appointed 12/2/18)	89	12	1	17	119
Lee Bambridge	153	18	3	-	174
Phillippa Cardno	121	18	2	25	166
TOTAL	592	76	9	42	719

The Executive Directors have the option to sacrifice part of their salary in exchange for the Society making additional pension contributions on their behalf. During the year Phillippa Cardno and Kieron Blackburn took advantage of this option. Roland Gardner and Lee Bambridge, with agreement from the Society, took their pension contributions as salary.

Lee Bambridge also received £18,000 from Sovereign Housing Association, for his services as a Non-Executive Director. The only individuals of the society who are considered to be the key management personnel are the Executive Directors.

Further details on the components of Directors' emoluments can be found in the Directors' Remuneration Report on pages 22 and 23.

Non-Executive Directors' Emoluments (comprising fees only)

	2019 £000	2018 £000
Peter Brickley (Chairman)	44	43
John Parker (Vice Chairman) (retired 28 February 2018)	-	11
Sarah Hordern	28	27
Tracy Morshead (retired 21 February 2019)	9	27
William Roberts	28	27
Zoe Shaw	28	27
Ron Simms	33	32
Piers Williamson	28	23
Chris Brown (appointed 1 June 2019)	12	-
TOTAL	210	217

Loans to Directors and connected persons:

The aggregate outstanding balance at the end of the financial year in respect of loans from the Society to Directors and connected persons was £314,831 (2018: £221,892) representing loans to one (2018: one) person. There are no arrears or provisions relating to this loan. The terms and conditions are in line with standard mortgage lending and the loan is secured on residential property with the nature of any final settlement being on a cash basis. There are no guarantees given or received. A register of loans to and transactions with Directors and connected persons is maintained. It is available for inspection by members at the Society's Head Office for the period of fifteen days prior to the Annual General Meeting and at the Annual General Meeting.

Notice of the 163rd Annual General Meeting

Date: **Monday 24 February 2020**

Time: **11:00am**

Place: **Donnington Valley Hotel, RG14 3AG**

The meeting will commence at 11.00am on Monday 24 February 2020 for the following purposes:

1. To receive the Auditor's Report, the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31st October 2019.
2. To consider and if thought fit pass an Ordinary Resolution to re-appoint Deloitte LLP as the Society's Auditor, to hold office until the conclusion of the next AGM at which accounts are laid before the Society, and for its remuneration to be fixed by the Directors.
3. To consider and if thought fit pass Ordinary Resolutions to re-elect Peter John Brickley, John Piers Williamson and Lee Frederick Bambridge and to elect Christine Margaret Brown as Directors of the Board.
4. To consider and if thought fit pass an Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31st October 2019 (see f below).
5. To transact any other business permitted by the Rules of the Society.

Voting Conditions (forming part of the Notice of the Meeting):

- a. A Member may attend and vote at the Annual General Meeting as described above. Members must bring evidence of their Membership to gain admission. This must be a current passbook or mortgage statement.
- b. A Member may appoint one proxy to attend and vote on their behalf. A Member may appoint the Chairman of the meeting or anyone else as their proxy. A proxy does not have to be a Member of the Society. A proxy may vote at the meeting, but only on a poll. A proxy must attend the meeting and bring a form of identification to vote on behalf of a Member. A proxy, if other than the Chairman, may not speak at the meeting except to demand or join in a poll. A Member may instruct their proxy how to vote at the meeting by following the instructions on the Proxy Voting form. If you appoint a proxy to vote on your behalf and your proxy does not attend the meeting, your vote will not be counted.
- c. To qualify as a voting shareholding Member, you must be an individual of at least 18 years of age on 24 February 2020; have held at least £100 in any Society share account on 31 October 2019; continue to hold shares at all times up to and including the voting date; and be first named on the account in the records of the Society.
- d. To qualify as a voting borrowing Member, you must be an individual of at least 18 years of age on 24 February 2020; have held a mortgage with the Society to the value of at least £100 on 31 October 2019; hold a mortgage with the Society to the value of at least £100 on the voting date; and be first named on the account in the records of the Society.
- e. You may only vote once as a Member, irrespective of the number of accounts you hold, whether you hold accounts in different capacities and whether you qualify to vote as both a shareholding and borrowing Member.
- f. Resolution 4 in this Notice of Meeting relates to a resolution for Members to vote on the Directors' Remuneration Report for 2019 set out on pages 22 to 25 of this booklet. As a building society, we are not obliged to ask Members to vote on this, but in accordance with best practice we are asking for an advisory vote and the Board will consider the result and decide what action if any is appropriate.
- g. The deadline for postal or online votes is 3pm on 20 February 2020

By Order of the Board
Erika Neves – Society Secretary
23 January 2020

Notes:

The Board considers that all directors continue to have the required skills, knowledge and experience and demonstrate the necessary commitment to their roles. Biographical details of the four Directors standing for election or re-election are included on pages 20 and 21 of this booklet.

If you would like a copy of the Society's Rules or Memorandum, please visit our website at www.newbury.co.uk/about-us/corporate-governance/

Your vote is extremely important to the Society and enables you to exercise your Membership rights.

It's important that we give back to the communities in which our members and our staff live and work. From January the charities we are supporting are.

Helen and Douglas House
Abingdon/Didcot branch

St Michael's Hospice
Basingstoke branch

The Countess of Brecknock Hospice
Andover branch

Priors Court School (Hermitage)
Hungerford branch

Alton Food Bank
Alton branch

Newbury Cancer Care
Newbury/Thatcham branch

Paediatric Intensive Care Unit (PICU)
Winchester branch

Sue Ryder
Wokingham branch

Alzheimer's Society
Head Office

The Society will donate 15p for every paper vote cast, 50p for every vote sent through the secure website and 50p for those attending the AGM to be split between the Society's nine community charities. We encourage you to vote, particularly through the website as this saves costs and increases the charitable donation.

How to get to the Annual General Meeting





Abingdon

1 West St. Helen Street
 Abingdon-on-Thames
 Oxfordshire OX14 5BL
 01235 527750
 abingdon@newbury.co.uk

Alton

47 High Street
 Alton
 Hampshire GU34 1AW
 01420 84275
 alton@newbury.co.uk

Andover

35 High Street
 Andover
 Hampshire SP10 1LJ
 01264 361455
 andover@newbury.co.uk

Basingstoke

5-6 Chelsea House
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