Summary Financial Statement

for the year ended 31 December 2009
and other important information for members

the mansfield building society

the mansfield building society

Directors

Nigel Carnall, BSc (Est Man), FRICS, FAAV, *Chairman*
Simon Brister
Darren Garner, FCCA
Christine Morris, BA (Hons)
James Pinder, FBCO
Nigel Quinton, FCCA
Richard Smith, ACIB
Nigel Tamplin, FCA

Chief Executive

Nigel Quinton, FCCA

Finance Director and Secretary

Darren Garner, FCCA

Compliance and Employee Development Executive and Money Laundering Reporting Officer

Julia Bushby

Mortgage and Personnel Executive

Maggie Smith

Information Systems Manager

Brian Seddons

Sales and Marketing Manager

Mike Taylor, LLB, ACIB

Product Manager

Peter Doherty

Auditors

KPMG Audit Plc
Chartered Accountants and
Registered Auditor

Bankers

Barclays Bank PLC

Solicitors

Harrop White, Vallance & Dawson

Principal Office

Regent House, Regent Street,
Mansfield, Nottinghamshire,
NG18 1SS
T: (01623) 676300
E: enquiries@mansfieldbs.co.uk
W: mansfieldbs.co.uk

Branches

Financial Services Centre,
Regent House, Regent Street,
Mansfield, Nottinghamshire
NG18 1SS
T: (01623) 676300

91 New Square, Chesterfield,
S40 1AH
T: (01246) 202055

48 Station Street, Kirkby-in-Ashfield,
NG17 7AS
T: (01623) 756601

53 Portland Square, Sutton-in-Ashfield,
NG17 1AZ
T: (01623) 554265

CHIEF EXECUTIVE'S REVIEW OF THE YEAR

Introduction

I have pleasure in presenting my review for 2009 and I am proud to confirm at the outset that your Society remains financially sound, well managed and strongly placed to meet the challenges that will undoubtedly continue to confront us over the next few years.

Economy

We continue to operate in a market severely affected by the economic downturn. The symptoms and remedies of this situation include a historically low Bank of England Bank Rate, severe difficulties in the retail banking sector, rising unemployment, increased levels of property repossession and inflationary pressures that are starting to build. No financial organisation is immune from the effects of these powerful forces and your Society is no exception, although many years of prudent lending have put us in an enviable position compared to many.

The efforts of the Government to stimulate the economy continue with £200bn having been injected into the system through the Quantitative Easing programme. It is hoped that this, coupled with the very low Bank of England Bank Rate, will shorten the time the country spends in recession and help many small and medium sized enterprises to survive. Clearly these interventions have costs attached to them and the low interest rate environment has been particularly damaging to financial organisations and investors alike. A substantial proportion of many institutions' income has been wiped away as market interest rates have sunk to current levels making earnings on liquidity a fraction of that previously received. We are all bearing this pain in the hope of better things in the future.

The green shoots that have been heralded for some time by various commentators still appear to be weak and fragile and it may be some time before we return to an economy that we can recognise as normal.

Housing market

The increasing threat of unemployment, economic concerns and the relative shortage of mortgage funding have depressed the housing market during 2009 and it is only in the last few months that any real signs of a recovery have become evident. The Nationwide Building Society House Price Index has now risen for several consecutive months although the recovery looks uncertain and may fall back as concerns over security of employment develop over early 2010.

The Society has faired relatively well in the mortgage market during the year with well-priced products attracting high quality residential business. We have not strayed away from our prudent habits developed over many years. As you will see in our Summary Directors' Report we completed almost £36m of mortgage business during the year. This is a reduction on our normal volumes but we believe this still represents a good performance. We have been open for mortgage business throughout the year.

Strength of the sector

The financial sector has been in turmoil for a number of years and for the whole of 2009. The banking sector has needed major support from the Government with at least one bank becoming state controlled and others in which the state now has a large interest. All of the remaining converted banks that used to be building societies have lost their independence by subsequently being acquired by other clearing banks. A small number of building societies have merged with larger organisations to properly protect their investors whilst one was recapitalised.

All of this has been very disappointing and distracting for building societies like The Mansfield that have stuck to the traditional business model. Although profits are reduced this year, we have the capital strength and quality of mortgage book to be confident about the future. We remain strong and committed to the traditional values that have served us so well.

Financial Services Compensation Scheme

We remain members of the Financial Services Compensation Scheme which is compulsory for all banks and building societies.

We reported in the 2008 Report and Accounts that our liability in respect of our share of the interest on the Government loan to the FSCS was £470,000. As a result of clarification from the Financial Services Authority (FSA) the accounting treatment for charges arising from the FSCS has subsequently been changed, although the estimate of likely ultimate costs has remained relatively static. This change in accounting treatment has resulted in the part reversal of amounts previously charged. It remains likely that we will be required to pay additional charges resulting from our membership of the scheme as the capital losses from failed organisations materialise and we cannot exclude the possibility of further organisational failures. It is likely that costs or claims relating to the FSCS will be with us for a number of years.

Interest rates

When responding to three consecutive reductions in Bank of England Bank Rate in early 2009, we endeavoured to balance the hopes and expectations of borrowers with those of savers. This included managing our profitability down from its normal levels by not applying the full reductions to our investment rates in this low interest rate environment.

This approach has had a significant impact on our profitability. If we had reduced our investment rates by the full amount it would have had a major impact on our pre-tax profits. However, we believe it is inappropriate to maximise profits in times when everyone is feeling the strain of the economic conditions.

Regrettably, and despite out best efforts to balance expectations, we took the difficult decision to increase our standard variable mortgage rate from 5.24% to 5.59% with effect from January 2010. This decision was not taken lightly but events in the economy, over which we have no control, left us with no alternative. These events included having to compete for mortgage and savings business with those financial institutions subsidised by taxpayers. A recent additional cost that we have also had to factor into our calculations is the requirement to comply with the FSA's tighter regulatory requirements, introduced as a direct consequence of the financial crises.

If interest rates begin to rise is 2010, as some economists are predicting, we will take this increase into account when we discuss any future changes to the standard variable mortgage rate.

Financial performance

This has been a difficult year with heavy competition from the banking sector for retail investments. On occasions this competition pushed up rates beyond the point where it was economic for the Mansfield to compete. We have, however, competed sensibly for business when it has been needed. The long term impact on those organisations uneconomically competing for retail balances cannot be underestimated. Additionally we have allowed our balance sheet to shrink slightly over the year as the ferocious demand by banks for high quality mortgage business has attracted borrowers away from us. The quality of our mortgage book has encouraged this. A benefit of this has been that we have been able to repay some wholesale funding and end the year with balances owed of only £21m. Our mortgage book is wholly funded from retail balances.

The Society has responded to the difficult trading circumstances by cutting its costs accordingly. We have reduced administrative expenses by approximately £300,000 during 2009 when compared to 2008. This has been done by managing down staff numbers and careful cost control.

I am pleased that your Society is reporting sensible levels of profit and is planning for a successful and long future from a strong base.

Arrears and possessions

The Society readily adopted the new protocols on arrears management as promoted by the Council for Mortgage Lenders. Our experienced staff closely and sympathetically monitor arrears cases and do all they can to help those borrowers that are struggling financially. The number of cases in arrears has remained reasonably static throughout the year, which in these difficult times is a great achievement and testament to the service we provide and the quality of our lending. I am pleased to say that during 2009 we only repossessed one property.

Business awards

During the year your Society received a prestigious award from highly respected industry magazine What Mortgage. We were awarded the prize of **Best Local Building Society** by a panel of judges made up of national intermediaries and data companies and some of the leading personal finance journalists in the country. To complement this we were also awarded second prize by Mortgage Finance Gazette in the same Best Local Building Society category. It goes without saying that we are delighted with these successes and will do all that we can to maintain the high standards that made the awards possible.

MB Simply Mortgages Ltd

We have continued to develop our whole of market mortgage broking subsidiary which has already established a number of important and substantial affinity relationships. Although this year has been difficult for the subsidiary we are confident that it will perform very well for the Mansfield Group in the future.

Business relations

Our relationship with R A Cowen and Partners (Financial Services) Limited has added whole of market independent financial advice to the list of services offered and provided to our members.

During the year the Society established a partnership with South Yorkshire Housing Association providing mortgages on a Shared Ownership basis. We did this to help local potential first-time buyers and key workers to achieve their home ownership ambitions which are central to the traditional mutual ethic. We are very pleased to have entered this market with a strong reputable provider and received acclaim from a number of influential groups, even appearing on national television and radio.

Communications with members

Two member forums were held during the year. These events provide excellent feedback for the management of the Society and a number of suggestions made by the forum members have been adopted.

Members are encouraged to take part in the forum and anyone wishing to participate in future meetings should let me know.

Making a difference in the community

As part of our commitment to local communities, provision has been made for any member of staff to spend two days per year working for charitable organisations. During the year a number of staff used this facility to good effect and for the benefit of local worthwhile causes. This initiative has reciprocal advantages because it also helps in the personal development of staff which ultimately benefits the Society and its members.

In addition, through our Community Support Scheme, we provided financial assistance to various organisations throughout our main operating area, supporting activities designed to improve the quality of life.

Conclusion

In 2009 we experienced a further deterioration in domestic and global economic activity. We have tried to manage our responses to this fairly and in the interests of the Society and its members. It is clear that more challenges are likely for some or all of 2010 and we will continue to respond to events in a fair and balanced way, taking into account the interests of all stakeholders.

Your Board and Management Team are committed to the Society retaining its independence and have plans and aspirations for the future of the Society that will ensure this happens. Thank you for your continued loyalty and support.

Nigel Quinton
Chief Executive

18 March 2010

SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors are pleased to present the Group Summary Financial Statement for the year ended 31 December 2009.

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 The Mansfield Building Society from 31 March 2010 and on our website as soon as is practicable after the 2010 AGM.

SUMMARY DIRECTORS' REPORT

BUSINESS OBJECTIVES

The principal business objective of the Society is the provision of secured lending on residential property in order to promote home ownership. This activity is funded mainly by offering traditional savings products which are competitive, easy to understand and designed to attract savings from private individuals. Some additional funds are raised on wholesale money markets to smooth out fluctuations between the savings inflows and mortgage demand as the need arises.

The principal business objective of the Society's subsidiary company, MB Simply Mortgages Ltd, is to provide comprehensive mortgage advice to members and customers of the Society where the Society does not offer a suitable product, or the potential borrower does not meet the Society's underwriting criteria. In addition, MB Simply Mortgages Ltd offer advice on a range of insurance protection products.

BUSINESS REVIEW

The Chief Executive's Review of the Year on pages 1 to 3 should be read in conjunction with this business review.

Throughout 2009 we operated in a market severely affected by the economic downturn and the longest recession in recent history. We were presented with unique challenges in terms of retaining and attracting new mortgage and savings balances. Government support for failing financial institutions continued. The Government maintains that it had little choice other than to act in the manner it did, but it is already clear the financial burden for what has happened will be borne for years to come with uncertain consequences for taxpayers and the economy in general.

One particularly negative aspect, that arose from extensive media coverage about failing institutions, was the unwelcome blurring of the distinction between banks and building societies. In addition to the bank bail-outs, we acknowledge that 2009 saw the demise of a small number of building societies through mergers and consolidations. Nevertheless, it was misleading and unhelpful to hear banks in urgent need of Government assistance regularly referred to in the media as "building societies" when in fact they converted from building societies to banks many years ago. The net effect of this is that the media gives the false impression that there is little difference between banks and building societies. For our part we work hard to demonstrate the benefits of mutuality and all decisions are made in the overall best interests of our members.

Some of the financial institutions that required Government assistance introduced market leading mortgage and savings products despite assurances that this would not happen. This practice continues to create an uneven playing field and we question the fairness of this approach when we have to compete for the same business in an already depleted market on an unsubsidised basis.

It was inevitable that the demand for mortgages reduced as recessionary pressures continued to bite. Increasing uncertainty about work prospects, job security and future incomes curtailed house purchase activity. We responded to this lacklustre demand by changing our expectations in terms of attracting new borrowers but we continued to market a competitive portfolio of products, some of which attracted positive media comment at a national level.

On the savings front, low interest rates added to the financial pressures felt by savers, particularly those who previously relied on investment interest to supplement income and maintain living standards. It is understandable that some chose to reduce outgoings by using savings balances and accumulated interest to repay personal borrowings.

In this low interest rate environment savers can also be tempted to pursue alternative investment strategies in search of higher returns. Whilst we are sympathetic to the effect that lower interest rates are having, we maintain that safety and security of funds are just as important as ever in this uncertain economic climate and should remain a top priority. Throughout the year we worked hard to minimise the impact on savers by holding our rates as high as possible and maintaining minimum profit levels.

We consolidated branch activities by closing our Queen Street, Mansfield branch as part of a network review, and at the end of the lease agreement. The branch was situated close to our Principal Office in the centre of Mansfield and the limited office space and lack of private interview facilities compromised branch operations. The small number of staff affected by the closure relocated to other branches.

We continue to monitor and reduce costs wherever potential savings are identified but not at the expense of compromising our customer care programme. Individual personal service remains at the heart of what we do. The very positive feedback in customer questionnaires and at our member forums confirms that this aspect of our business is valued and appreciated by existing and new customers. With banks and building societies and new entrants to the financial markets all vying for the same business, we will continue to invest in this critical area to differentiate ourselves from much of the competition.

We were rewarded for our efforts by receiving national recognition. This included being voted "best local building society" for 2009 by respected industry publication What Mortgage magazine and in the same category we were runners-up in Mortgage Finance Gazette's 2009 awards. We were also nominated in the annual Moneyfacts awards in the "best no notice savings account" category and one of our fixed rate mortgage products featured in Moneyfacts as "mortgage product of the month".

At the beginning of September we entered the shared ownership market in partnership with South Yorkshire Housing Association who are also active in our main operating area and are a major player in providing sustainable and affordable housing. We did this to help potential first-time buyers and key workers to achieve their home ownership ambitions.

On the technology front, we introduced an enhanced on-line facility under the banner of "clickmansfield", enabling mortgage applicants to generate a key facts illustration and complete a mortgage application. This facility was extended to the professional mortgage intermediary market later in the year.

Assets

Total assets reduced by 7.5% compared with the year ended 31 December 2008. This arose largely from the reduction in residential mortgage balances as borrowers used investment balances to repay personal debt in the low interest rate environment.

Liquidity and Funding

Liquid assets in the form of cash in hand and deposits with credit institutions were £63.9m representing 25.16% of shares and borrowings as at 31 December 2009. This is lower than the £72.6m and 26.31% reported at 31 December 2008 and reflects the repayment of £22m of wholesale funding during the year. As a result of this repayment, the proportion of funding from wholesale sources reduced from 16.33% of shares and borrowings at 31 December 2008 to 8.97% at 31 December 2009.

Capital

At 31 December 2009 gross capital amounted to £18.4m, being 7.25% of total shares and borrowings. Free capital amounted to £17.3m being 6.82% of total shares and borrowings.

Gross capital represents the general reserve together with the revaluation reserve as shown in the balance sheet. Free capital represents gross capital and general provisions for bad and doubtful debts less tangible fixed assets as shown in the balance sheet.

SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

The reduction in total assets contributed to an improvement in reported levels of gross and free capital. The increase in capital also reflects increased retained profits, stated after the effects of all required FSCS levy amounts and a reduction in respect of the Society's defined benefit pension scheme.

Profitability

Interest receivable was significantly reduced in 2009 following dramatic falls in inter-bank interest rates. As a result, the profitability of the Society, excluding the effects of entries made in respect of the Financial Services Compensation Scheme, is lower than that reported in previous years (post tax profit 2009: £178,000, 2008: £528,000, 2007: £533,000). This reflects the balanced way that the Society has approached margin management for borrowing and savings members, operating with minimal profit levels throughout the year. The high quality nature of the Society's liquid investments has also resulted in reduced returns from these assets, acting as a further drag on profitability.

The Group profit after taxation includes losses from MB Simply Mortgages which, in 2008, included the costs of establishing the subsidiary and its first year's trading performance. In 2009, whilst operating conditions continue to be challenging, MB Simply Mortgages has improved its financial performance and is well placed to deliver further improvements in its trading performance in 2010.

Cost efficiency

Board actions to contain costs in 2009 contributed to an improvement in the management expenses ratio (total management expenses, expressed as a percentage of the mean total assets) to 0.88% (2008: 0.95%). The equivalent ratio for the Group is 0.89%, compared with 0.97% for the year ended 31 December 2008, which incorporated the set up and first period of trading for MB Simply Mortgages Ltd. All cost savings have been made without compromising the quality of service to our members.

Business volumes

Loans and advances

Despite substantially lower demand for mortgages throughout 2009, the Society managed to complete on 402 new residential mortgages during the year. Total lending including further advances was £35.9m (2008: £45.0m). Advances secured on residential owner-occupied property represented 100% of the total lending (2008: 100%). At 31 December 2009 there were five mortgage cases where repayments were twelve months or more in arrears (2008: two), the amount of those arrears being £27,303 (2008: £8,178) and the mortgage balances £304,105 (2008: £93,043).

Savings and investments

Investing members' share balances increased by £0.3m. This represents a rate of growth lower than those previously reported as the Society, along with many others in the sector, was adversely impacted by the competitive landscape referred to above, with the Society unwilling to compete for deposit balances at unsustainable rates of interest. The Society has offered a range of competitive variable and fixed rate branch based and postal savings accounts throughout the year and, at times, appeared in national best buy tables, which has helped mitigate outflows.

Key performance indicators

Various key performance indicators are used to measure and monitor periodic progress. In previous years we have focused on growth, profitability and costs of running the Group and Society. However, in 2008, the Board approved a reduction in asset growth and an increase in the overall liquidity of the business and implemented a plan to reduce wholesale funding to more modest levels. Accordingly, in 2009 the KPIs were amended to include profitability, costs of running the Group and Society and the liquidity ratio.

Return against mean assets shows the relative profitability of the year's activity and facilitates a year on year comparison of our performance.

Management expenses ratio is a measure of the Group's efficiency and its ability to offer consistently good rates to its borrowing and savings members. It is reported as total management expenses, expressed as a percentage of the mean total assets.

Liquidity ratio shows the total cash in hand, loans and advances to credit institutions and liquid assets as a percentage of total shares and borrowings. This shows the relative amount of cash that the Group carries and its ability to meet payments when due.

Total assets – Group	**2009** **£273.7m**	2008 £295.9m	2007 £286.1m
Return against mean assets			
– Group (exc FSCS levy)	**0.06%**	0.17%	0.20%
– Society (exc FSCS levy)	**0.06%**	0.18%	0.20%
Return against mean assets			
– Group (inc FSCS levy)	**0.09%**	0.05%	0.20%
– Society (inc FSCS levy)	**0.10%**	0.07%	0.20%
Management expenses ratio			
– Group	**0.89%**	0.97%	0.99%
– Society	**0.88%**	0.95%	0.99%
Group liquidity			
– Total liquid funds at 31 December	**£63.9m**	£72.6m	£61.1m
– Ratio of liquid funds to shares and deposits	**25.16%**	26.31%	22.93%

Cost containment and improved efficiency have led to a satisfactory reduction in the management expenses ratio for 2009.

In response to the continuing funding pressures generated by the market conditions, the Board decided that the Society should continue to operate with increased relative liquidity holdings. This strategy had an impact on profitability during 2009 and will continue to do so in 2010, but the Board continues to believe this remains a prudent approach, providing a buffer against unforeseen cash requirements and demonstrating the stability and security of the Society to members and stakeholders. During 2009, the Society experienced a small increase in retail funding of £0.3m as it chose not to compete for retail funds at certain points in the year and continued with its programme of wholesale funding reduction, repaying an additional £22.3m. Deposit funding also reduced by £0.1m. At 31 December 2009, wholesale and deposit funding amounted to £22.7m (2008: £45.1m).

Capital and Basel II

The Society has developed its processes and procedures to comply with the requirements of the FSA's Capital Requirements Directive (CRD). The CRD requires The Mansfield Building Society to conduct an assessment of the adequacy of its capital and resources, known as the Internal Capital Adequacy Assessment Process (ICAAP). The Board has had an approved ICAAP from 1 January 2008 and receives updates quarterly. Details of how to obtain a copy of The Mansfield Building Society's Pillar 3 disclosures under Basel II can be found on our website, www.mansfieldbs.co.uk under "Corporate information".

Post balance sheet events

The Directors consider there have been no events, since 31 December 2009, that have had a material effect on the financial position of the Society.

SUMMARY FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Creditor payment policy

The Society's continuing policy concerning the payment of its trade creditors is to pay within the agreed term of credit, once the contractual obligations of the supplier have been discharged. Amounts due to creditors as at 31 December 2009 represented 13 days (2008: 8 days). The Society does not follow a formal code or standard on payment practice.

Principal risks and uncertainties

The Mansfield Building Society endeavours to conduct its business in a risk-averse way. Investor protection and member interests are paramount. The principal business risks to which the Society is exposed are considered to be:

- Credit risk, which arises primarily from mortgage loans but also as a result of the Society's investments as part of its treasury activities;
- Market risk, which incorporates the loss of income as a result of changes to interest rates;
- Liquidity risk, which concerns the Society's ability to meet its financial obligations as they fall due as a result of imbalances in the cash flow of its activities;
- Operational risk, which is associated with the Society's internal processes and systems and the potential for these not to function properly; and
- Potential loss of consumer confidence in financial institutions generally in the wake of banking difficulties.

The identification, control and monitoring of business and environmental risks remains a management priority. Through continuous assessment of risk management procedures, steps are taken to mitigate such risks. In particular, with the increasing risks from external factors, management has reviewed and further developed the Society's business continuity plans. As part of this ongoing review process a number of detailed tests have been carried out during 2009 using third party contingency arrangements.

The most significant uncertainties faced by the Society are considered to be:

- Economic risks including employment levels, the housing market and competitor activity; and
- The availability of appropriate levels of funding.

The Society keeps a significant proportion of all liquid assets on terms which allow immediate access to funds.

Financial risk management objectives and policies

The Group has a formal structure for managing risk, including procedures for identifying and measuring risks, establishing risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Assets, Liabilities and Planning Committee, which is charged with the responsibility for managing and controlling the balance sheet exposures and the use of financial instruments for risk management purposes.

Environment

During the year the Society continued to take steps which limited its impact on the environment. The Society is committed to using environmentally friendly stationery and equipment, when its use is appropriate. The Society's policy on disposal also has regard to the environment, using appropriate methods of disposal for equipment and recycling, wherever possible.

Community involvement

Through our Community Support Scheme we provided financial assistance to various local organisations involved in sport, the arts, helping the elderly and the disadvantaged. We remain convinced that the benefits to the local community represent a worthwhile return on our investment.

We continued our Work In The Community Scheme where we actively encourage staff members to participate in local initiatives supporting the disadvantaged, promoting and encouraging sport or activities in the arts, supporting education and development or benefiting the environment. Staff members participating in the scheme are allowed two days per calendar year paid leave to undertake this voluntary work for the benefit of the community.

We remain enthusiastic members of Mansfield 2020, a local, long established business support and networking group, which works hard to promote the town and support local businesses.

During 2009 the Society contributed £600 (2008:£1,000) in the form of charitable donations. This included a donation to Macmillan Cancer Support raised from qualifying voting forms received in respect of the 2009 Annual General Meeting. Macmillan Cancer Support improves the lives of people affected by cancer. They are a source of support: providing practical, medical, emotional and financial help. They are a force for change: listening to people affected by cancer and working with them to change cancer care for the better. Our Sports & Social Committee worked hard throughout the year to raise additional funds for Macmillan Cancer Support.

Staff

All our staff worked hard in 2009 to satisfy our commitment towards individual personal service and I thank everyone for their dedication, hard work and commitment.

Auditors

Our auditors, KPMG Audit Plc, have expressed their willingness to continue in office and, in accordance with Section 77 of the Building Societies Act 1986, a resolution for the reappointment of KPMG Audit Plc as auditors is to be proposed at the Annual General Meeting.

Directors

Simon Brister, Nigel Carnall and Nigel Tamplin retire by rotation in accordance with Rule 26 (retirement by rotation). Directors retiring under these Rules are eligible for re-election at the Annual General Meeting. James Pinder has served more than 9 years on the Board and would normally seek re-election but is to retire from the Board in 2010. The Society does not require any director to seek re-election when they are planning to retire in the same year.

At 31 December 2009, no Director held any interest in the shares or debentures of any connected undertaking.

Going concern

The directors have prepared forecasts of the Group's capital position, financial position and liquidity for the period ending twelve months from the date of approval of the annual accounts. The directors have also prepared forecasts to consider the effect on the Group's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions.

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the annual accounts.

Future developments

No-one could have predicted the recent events in the financial markets, leading to interest rates at historic lows, uncertain economic outlook and low demand for residential mortgages. Only in time will we be in a position to truly judge or measure the lasting effects of this turbulent period. Throughout this period, whilst continuing to concentrate on providing an excellent service for the benefit of its members and the local community, the Society has also made progress with plans to develop its future products and service offerings, including for example, offset mortgages.

A number of regulatory changes also come into effect in 2010, including a new regime for the management of liquidity and a set of new regulations specific to the operations of building societies, both of which will result in additional cost to the Society. The Society will need to respond and adapt to satisfy these new requirements whilst at the same time continuing to invest in and develop the Society and its subsidiary undertaking, MB Simply Mortgages.

Conclusion

The year to 31 December 2009 has proved to be very challenging. Your Society has responded to this in a cautious and careful way, preparing for the future and maintaining service standards. We are confident that we are well placed to continue developing the Society for many years, delivering excellent service and products.

I thank you for your continued loyal support.

On behalf of the Board of Directors

Nigel Carnall
Chairman

18 March 2010

SUMMARY FINANCIAL STATEMENT

RESULTS FOR THE YEAR	Group	
	2009	2008
	£'000	£'000
Net interest receivable	**2,342**	3,292
Other income and charges	**418**	256
Administrative expenses	**(2,533)**	(2,833)
Operating profit before provisions	**227**	715
Provisions for mortgage losses	**–**	(35)
Provision for FSCS levy	**127**	(470)
Profit for the year before taxation	**354**	210
Taxation	**(93)**	(62)
Profit for the year	**261**	148

FINANCIAL POSITION AT END OF YEAR		
Assets		
Liquid assets	**63,889**	72,640
Mortgages	**208,092**	221,538
Fixed and other assets	**1,669**	1,770
Total assets	**273,650**	295,948
Liabilities		
Shares	**231,300**	231,045
Borrowings	**22,672**	45,058
Other liabilities	**774**	870
Provision for FSCS levy	**248**	470
Net pension liability	**231**	–
Reserves	**17,870**	17,950
Revaluation reserve	**555**	555
Total liabilities	**273,650**	295,948

SUMMARY OF KEY FINANCIAL RATIOS		
	2009	2008
	%	%
Gross capital as a percentage of shares and borrowings	**7.25**	6.70
Liquid assets as a percentage of shares and borrowings	**25.16**	26.31
Profit for the year as a percentage of mean total assets	**0.09**	0.05
Management expenses as a percentage of mean total assets	**0.89**	0.97

Gross capital as a percentage of shares and borrowings

The gross capital ratio measures the proportion that the Group's capital bears to the Group's liabilities to holders of shares, depositors and other providers of funds (investors).

The Group's capital consists of the profits accumulated over many years in the form of general reserves and revaluation reserves relating to our properties. Capital provides a financial cushion against difficulties that might arise in the Group's business and therefore protects investors.

Liquid assets as a percentage of shares and borrowings

The liquid assets ratio measures the proportion that the Group's assets held in the form of cash and short term deposits bear to the Group's liabilities to investors.

Most of the Group's assets are long term mortgages which cannot be converted quickly into cash, while many of its liabilities to investors are repayable on demand. Liquid assets are generally readily realisable, enabling the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

Profit for the year as a percentage of mean total assets

The profit/assets ratio measures the proportion that the Group's profit after taxation for the year bears to the average of the Group's total assets during the year.

The Group needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors. However, a building society does not have to pay dividends to equity shareholders as a company does. The Group is therefore able to operate safely with a lower profit ratio than some other financial organisations.

Management expenses as a percentage of mean total assets

The management expenses ratio measures the proportion that the Group's administrative expenses bear to the average of the Group's total assets during the year.

Management (or administrative) expenses consist mainly of the costs of employing staff and running the branches, other office costs, advertising and depreciation etc. Expenses need to be controlled so that the Group operates as efficiently as possible while providing the service that members require.

Approved by the Board of Directors on 18 March 2010 and signed on its behalf by:

Nigel Carnall – *Chairman*
Nigel Tamplin – *Deputy Chairman*
Nigel Quinton – *Director and Chief Executive*

STATEMENT OF THE INDEPENDENT AUDITORS TO THE MEMBERS AND DEPOSITORS OF THE MANSFIELD BUILDING SOCIETY

Pursuant to section 76 of the Building Societies Act 1986, we have examined the summary financial statement of The Mansfield Building Society set out on pages 4 to 12.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the summary financial statement within the Summary Financial Statement booklet 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 Summary Financial Statement booklet 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.

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

Basis of opinion

We conducted our work in accordance with Bulletin 2008/03 'The auditors' statement on the summary financial statement in the United Kingdom' issued by the Auditing Practices Board.

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

Opinion

In our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and the Directors' Report of The Mansfield Building Society for the year ended 31 December 2009 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Ian S Smith
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Leicester

18 March 2010

SUMMARY DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The purpose of this report is to inform members of The Mansfield Building Society about our policy on the remuneration of executive and non-executive directors. It also voluntarily addresses the statutory disclosure requirements for listed companies in providing such information to members.

A resolution will again be put to the Annual General Meeting, inviting members to vote on the Directors' Remuneration Report. The vote is advisory, and the Board will consider what action is required.

The Nomination and Remuneration Committee

The report has been prepared by the Nomination and Remuneration Committee, which is made up entirely of non-executive directors and meets three times a year, with special meetings as needed. The current membership of the Committee is:

James Pinder (*Chairman of Nomination and Remuneration Committee*)
Nigel Carnall (*Chairman of the Board of the Society*)
Nigel Tamplin (*Deputy Chairman and Chairman of the Assets, Liabilities and Planning Committee*)

Meetings of the Committee are also attended by Nigel Quinton, Darren Garner and Maggie Smith, as appropriate, who withdraw from the meeting when their own remuneration is being considered or on request.

The primary responsibility of the Committee is the determination of the terms and conditions of employment of the executive directors (and other members of senior management as appropriate) and the fees payable to non-executive directors.

The Committee is responsible for the remuneration policy for all directors of the Society and makes recommendations to the Board regarding remuneration and contractual arrangements. The Committee reviews supporting evidence, including external professional advice, if appropriate, on comparative remuneration packages. The Committee also reviews proposals by the Chief Executive for senior management remuneration and any performance related bonuses.

Policy for executive directors

The Board's policy is to set remuneration levels in order to attract and retain high calibre executive directors and to encourage excellent performance through rewards directly linked to the achievements of the Society's strategic objectives. The main components of executive directors' remuneration are:

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

Bonus – which is non-pensionable, performance related cash bonus payable on achievement of Board specified key performance indicators. Performance bonuses are reviewed annually, are not guaranteed and are generally a small percentage of basic salary.

No bonus will be declared or paid in respect of the results for the year ended 31 December 2009.

Pensions – a Group Personal Pension Plan which is available for all group staff.

Other benefits – notably the provision of a Society car to each executive director (or an equivalent allowance) and private medical insurance. Benefits are reviewed annually by the Nomination and Remuneration Committee.

Service contracts

The Chief Executive has a service contract with the Society dated 24 June 2008. The Chief Executive's notice period to the Society is nine months. The Society's notice period to the Chief Executive is twelve months.

The Finance Director and Secretary has a service contract dated 25 June 2008 which can be terminated by either party giving to the other six month's notice in writing.

Contracts are reviewed annually at the end of each completed year.

Policy for non-executive directors

The remuneration of non-executive directors is reviewed annually by the Nomination and Remuneration Committee, using external data for other comparable building societies, and by a performance review process undertaken by the Society's Chairman of the Board. The remuneration of the Chairman is reviewed by the Nomination and Remuneration Committee and ratified by the Board. Non-executive directors are remunerated solely by fees which reflect time spent on Society affairs including membership of Board committees. They do not have service contracts and do not receive a salary, pension, bonus incentives or other taxable benefits.

Non-executive directors serve under letters of appointment following election by the Society's membership.

Directors' remuneration

Details of directors' emoluments for the financial year ended 31 December 2009 are shown below.

	2009 TOTAL £'000	2008 TOTAL £'000
Non-executive directors' fees	**107**	111
Executive directors' remuneration	**232**	230
Total	**339**	341

Non-executive directors' fees

	2009 TOTAL £'000	2008 TOTAL £'000
Nigel Carnall (Chairman)	**26**	25
Nigel Tamplin (Deputy Chairman from 18/05/09)	**19**	15
Simon Brister	**15**	15
Charles Dawson (Retired 08/05/08)	**–**	6
Christine Morris	**15**	15
James Pinder (Deputy Chairman to 18/05/09)	**17**	20
Richard Smith	**15**	15
Total	**107**	111

SUMMARY DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Executive directors

	Fees £'000	Salary £'000	Bonus[4] £'000	Benefits £'000	Pension contributions £'000	**2009 TOTAL £'000**
Nigel Quinton	8	102	4	12	7	**133**
Darren Garner	8	77	1	9	4	**99**
Total	16	179	5	21	11	**232**

Executive directors

	Fees £'000	Salary £'000	Bonus £'000	Benefits £'000	Pension contributions £'000	2008 TOTAL £'000
David Fisher[1]	5	64	–	5	5	79
Nigel Quinton[2]	7	87	1	9	6	110
Darren Garner[3]	3	29	–	9	–	41
Total	15	180	1	23	11	230

Notes:

(1) Retired 14/08/08

(2) Appointed Chief Executive from 14/08/08. Previously Director of Finance and IS & Secretary

(3) Joined the Society on 14/07/08. Appointed to the Board 14/08/08.

(4) Bonus payments made in 2009 relating to the financial year ended 31 December 2008.

James Pinder
Chairman of the Nomination and Remuneration Committee
On behalf of the Board of Directors

18 March 2010

CORPORATE GOVERNANCE

The Board of Directors is committed to adopting best practice in corporate governance matters. This report explains how the Society applies the principles in the June 2008 revision of the Combined Code on Corporate Governance, as issued by the Financial Reporting Council. The Board considers that the Society complies with all relevant provisions of the Code unless the contrary is stated.

Board structure

At 31 December 2009 the Society's Board consisted of 6 non-executive directors (including the Chairman) and 2 executive directors who have the collective responsibility for ensuring that the affairs of the Society are managed competently and with integrity. The Board meets 11 times per year to determine and closely monitor the Society's business strategy. It also meets at least once a year for a detailed review of the Society's strategy.

Chairman and Chief Executive

The offices of Chairman and Chief Executive are distinct and held by different people. The Chairman is responsible for leading the Board. The day to day conduct of the Society's business is entrusted to the Chief Executive and his senior management colleagues within the policies established by the Board.

Board balance and independence

The non-executive directors are independent in character and judgement and are not employees of the Society. Apart from the Chairman one non-executive director has served a term of office in excess of 9 years, however he will not be seeking re-election to the Board as he plans to retire in 2010. All directors bring a wealth of experience and diversity of business perspective and objectivity which complements the 'hands on' expertise of their executive director colleagues.

In line with the Combined Code on Corporate Governance, the Society's Board has appointed Nigel Tamplin as the Senior Independent Director. He is available to members if they have concerns, which contact through the normal channels of Chairman, Chief Executive or Secretary has failed to resolve, or for which such contact is inappropriate.

Performance evaluation

All directors are subject to individual annual performance and evaluation review. There is also an annual evaluation of the Board as a whole.

The Society has a formal performance evaluation system for all members of staff including the executive directors. The Chief Executive holds a performance review with the senior managers. The Chairman and Deputy Chairman review the Chief Executive's performance and report to the Board. A performance evaluation system for non-executive directors, including the Chairman, has been in place since 2004. In 2009 this took the format of questionnaires completed by each individual director. The Chairman and Deputy Chairman reviewed the output of all questionnaires and used these as a basis for an evaluation interview with each non-executive director. The Deputy Chairman, supported by the Chief Executive, undertook the evaluation interview for the Chairman. This procedure identifies any individual and Board training requirements and provides the evidence for the Board as to whether to recommend to members that a director should be re-elected.

In 2009 an internal performance evaluation process of the Board and its Committees was carried out in order to review the effectiveness of how the Board and the Board Committees operate. This was undertaken through a full review of the Terms of Reference and Standing Orders and by way of a further questionnaire which asked all directors and senior managers to appraise a range of factors relating to the make-up and operation of the Board. A similar process was undertaken by the members of each Board Committee. The results were reviewed by the Board and each Committee and any appropriate improvement was identified for action.

Appointments to the Board and re-election

The composition of the Board is kept under review with the aim of ensuring that the Board collectively possesses the necessary skills and experience for the proper direction of the Society's business activities. The Board believes that individual directors have a range of skills and experience which is appropriate for the management of the Society. The Board also has a well documented and approved succession plan which will ensure that the Board is refreshed with new members without jeopardising the stability of the Board.

The Society has a well developed process for recruiting non-executive directors. The Society takes expert external advice where necessary and advertises in appropriate regional publications. The search and selection process is supported with a clear experience and skill set definitions for each recruitment activity and involves the whole Board.

All new directors appointed are subject to election by the members at the next Annual General Meeting of the Society.

All directors must meet the test of fitness and propriety as laid down by the Financial Services Authority as 'Approved Persons' to fulfil their controlled functions as directors. The Society's Rules require all directors to submit themselves for election by the members at the first opportunity after their appointment and for re-election every 3 years. In addition, the Board has agreed that, to ensure full compliance with the Combined Code on Corporate Governance, as it relates to building societies, all directors except the Chairman, who have served on the Board for 9 years or more, are proposed for re-election each year, unless the Board succession plan shows that a director is to leave the Board within the next twelve months following the vote.

Committee terms of reference

The Board has 3 Committees, as detailed below, which assess proposals in detail and make recommendations to the full Board. The terms of reference for committees are available on request from the Society's Secretary. Proceedings of all committees are formally minuted and minutes are subsequently considered by the full Board.

Nomination and Remuneration Committee

This Committee meets 3 times each year and reviews Board constitution, skills, performance, succession plans and election of directors. The Committee is responsible for the remuneration policy for all directors of the Society and makes recommendations to the Board regarding remuneration and contractual arrangements.

Current Committee members are James Pinder (Chairman), Nigel Carnall and Nigel Tamplin. Meetings of the Committee are also attended by Nigel Quinton, Darren Garner and Maggie Smith, as appropriate, who withdraw from the meeting when their own remuneration is being considered, or on request.

Further information on the role of the Nomination and Remuneration Committee is included within the Summary Directors' Remuneration Report which starts on page 14.

Audit, Compliance and Risk Committee

This Committee meets quarterly and considers regulatory compliance matters, the adequacy of internal controls and evaluation of risks. It also reviews audit reports, monitors the relationship with both internal and external auditors and agrees the annual internal audit plan. The Committee also ensures that the systems of accounting, business control and management of information are adequate for the needs of the Group.

Current Committee members are Richard Smith (Chairman), Nigel Tamplin and Simon Brister. The meetings are also attended by representatives from Internal and External Audit, together with Nigel Quinton, Darren Garner, Julia Bushby and other senior managers by invitation.

Assets, Liabilities and Planning Committee

This Committee meets quarterly and reviews all aspects of credit risk, lending, budgetary control, statutory and regulatory reporting. It reviews the Group's balance sheet, structural and counterparty risks and ensures that policies and business plans are agreed and monitored. It is responsible for the provision of a competitive range of products to our members and monitors business levels and any variances against objectives.

Committee members are Nigel Tamplin (Chairman), Nigel Carnall and Christine Morris. The meetings are also attended by Nigel Quinton, Darren Garner, Maggie Smith and Mike Taylor.

Information and professional development

All directors are provided with clear, timely and accurate information for the effective conduct of business, including an established list of items for review and regular financial updates.

All directors are given appropriate training following their appointment and are encouraged to attend industry events, seminars and training courses to maintain an up to date knowledge of the industry and the regulatory framework within which the Society operates.

All directors are entitled to seek independent professional advice at the Society's expense.

Internal control

The Board has delegated the responsibility for managing the system of internal control to senior management. The internal control system can provide only reasonable and not absolute assurance against material misstatement or loss. After considering applications from a number of suitably qualified firms, the Society's internal audit function was outsourced to PricewaterhouseCoopers, with effect from 1 January 2010, having previously been outsourced to Mutual One Ltd. The internal auditors provide independent assurance to the Board regarding the effectiveness of internal controls reporting through the Audit, Compliance and Risk Committee.

Relations with members

As a mutual organisation the Society has members rather than shareholders. The Society seeks the views of members in a variety of ways including questionnaires, member forums and newsletters.

Constructive use of the Annual General Meeting

Each year the Society sends details of the Annual General Meeting (AGM) to all members who are entitled to vote. Members are encouraged to vote by completing a proxy form and returning it to the Society by an agreed deadline or by attending the AGM itself, which is normally held in the early evening to encourage attendance. For the first time, for the convenience of members, we are introducing an on-line voting facility ahead of the 2010 AGM. For a number of years the Society has encouraged members to vote by linking the number of votes cast to a donation to a local charity. This year the Society will donate 15 pence per vote to the Staff Sports & Social Committee's nominated charity for 2010, Macmillan Cancer Support.

Board members are present at the AGM unless there are exceptional circumstances that prevent attendance. Board members are encouraged to meet with members both before and after the meeting and to answer questions on both a formal and informal basis.

Pension funds

The Society's 1978 Retirement & Death Benefit Scheme pension funds are held separately from the Society and are subject to professional management and administration under the control of the trustees. In particular, no scheme assets are invested in, or loaned to, the Society. There is strong employee trustee representation. The Scheme was closed to future accruals for all staff with effect from 28 February 2007.

A Group Personal Pension Plan is available for all staff.

Attendance at Board and Committee Meetings

The table on page 20 shows the number of meetings of the Board and its Committees at which each director was present and in brackets the number of meetings that director was eligible, as a member of the Board or Committee, to attend during the year.

	Board	Audit, Compliance and Risk Committee	Assets, Liabilities and Planning Committee	Nomination and Remuneration Committee
Non-executive directors				
Nigel Carnall (Chairman)	11 [11]	4 [4]	4 [4]	3 [3]
Nigel Tamplin (Deputy Chairman)	11 [11]	4 [4]	4 [4]	3 [3]
Simon Brister	11 [11]	4 [4]	*	*
Christine Morris	11 [11]	*	4 [4]	*
James Pinder	11 [11]	4 [4]	2 [2]	3 [3]
Richard Smith	11 [11]	4 [4]	*	*
Executive directors				
Nigel A Quinton	11 [11]	*	4 [4]	*
Darren L Garner	11 [11]	*	4 [4]	*

Chairman and Deputy Chairman are ex officio at those committees where they are not direct members.

* Denotes not a member of the Committee.

On behalf of the Board of Directors

Nigel Carnall
Chairman

18 March 2010

the mansfield building society