Summary Financial Statement

for the year ended 31 December 2017

The Band Stand, Carr Bank Park, Mansfield

the mansfield building society

The Directors are pleased to present their Summary Financial Statement for the year ended 31 December 2017.

This financial statement is a summary of information in the audited Annual Accounts, the Directors' Report and the 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 2018 and on our website as soon as practicable after the 2018 AGM.

Summary Directors' Report

The principal business objective of the Society is to provide a safe and secure haven for members' savings whilst offering secured lending on residential property in order to promote home ownership. This mortgage activity is funded mainly by offering traditional savings products which are competitive, easy to understand and designed to attract savings from private individuals and businesses. Some additional funds are raised on the wholesale money markets to smooth out fluctuations between savings inflows and mortgage needs.

Business review

In the last year the housing market showed a good deal of resilience despite the continued political uncertainty emanating from the Brexit process, a deterioration in the UK economic growth forecasts and the government intervention in the Buy to Let market.

Notwithstanding this backdrop, this has been an exceptional year for the Society culminating in a record year for both mortgage advances £93.7m (2016: £63.8m) and mortgage book growth 12.24% (2016: 3.8%). This growth has been achieved whilst maintaining a stable level of profitability which continues to grow our capital reserves by £1.5m (2016: £1.6m). This level of profitability is required not only to support the lending growth, but also to reflect the Society's ongoing need to maintain a strong level of capital reserves.

Profit after tax remained steady at £1.5m and this has further bolstered capital reserves to £26m resulting in a healthy gross capital ratio of 7.64% (2016: 8.07%). Members should place great assurance that this level of capital reserves continues to comfortably exceed the regulator's minimum requirement. The Board believes that the current capital levels are appropriate and stress testing scenarios confirm that we have a strong protective buffer to provide contingency against future headwinds in the market.

In 2017 the Society delivered strong growth in the mortgage book by lending £93.7m of gross advances. This has been achieved as a result of the investment in people and technology that the Society made to improve the support given to our customers in the intermediary mortgage market and to those customers that come to us directly. There has been a significant increase in market competition from retail banks as well as a number of new market entrants and challenger banks continue to enter the market and typically specialise in the type of underserved mortgage segments that the Society has successfully supported over the past few years. This competition has resulted in rates in the mortgage market being at historically low levels. Against the backdrop of aggressive pricing in the market, the Society has carefully balanced the need to maintain competitive rates whilst also protecting profitability, and has delivered an excellent lending result in a highly competitive market.

The continuation of the Funding For Lending Scheme (FLS) and the introduction of the Term Funding Scheme, resulted in regular market-wide reductions in savings rates during 2016 and 2017. It was therefore encouraging to see that the Bank of England Base Rate increased in November after being at a record low of 0.25%. As a result of this the Society has announced increases to savings and mortgage accounts effective from January 2018. The Society has regularly appeared in the Best Buy tables during 2017 in respect of the competitiveness of our savings rates, reflected in retail savings balances growing by over £15m during the year.

The interest margin has fallen to 1.78% (2016: 1.83%) due to the competitive pressure that was exerted on mortgage yields. Net interest margin will come under further pressure in 2018 as more lenders enter the market, typically with aggressive product pricing.

The Society has continued to make further investment in strengthening the people and system resources that are required to maintain the internal capability to deliver future sustained growth, as well as meeting the various regulatory requirements placed upon all lenders and deposit takers. A significant proportion of the year on year increase in Administration costs is directly related to strengthening the systems environment operated by the Society to keep abreast of technology changes and further strengthening of important cyber security defences. The Management Expenses ratio of 1.22% (2016: 1.21%) reflects the continued investment in the Society and remains favourable with peer group comparisons.

However, during 2018, the Management Expenses Ratio is expected to increase as we make the necessary further investments to ensure we continue to meet both customer and regulatory needs.

Whilst strong finances are important, the Board recognises that, as a mutual membership based organisation, the service to our members and our community is paramount. It is therefore pleasing to report that we were highly commended in the Mortgage Finance Gazette awards for Community Engagement. Our members continue to report our service as excellent with 94% of savings customers who returned our survey questionnaires in 2017, willing to recommend the Society to a friend or relative and we also continue to receive very few complaints (equating to less than 0.1% of members). These results reinforce that the combination of a strong personal service proposition, our mutual ethos and competitive rates is an effective strategy for the Society to follow.

We regularly receive positive feedback about many of our mortgage products and are pleased to be able to help many first time buyers achieve their aspirations of owning their own home.

The healthy results underline the Society's ability to operate soundly and successfully. The Board of Directors is fully committed to The Mansfield remaining an independent mutual building society for the benefit of its members.

Key performance indicators

The following table provides an overview of the key performance indicators (KPIs) over the last four years.

Significant Statistics	2017	2016	2015	2014
Total Assets £m (1)	**368.1**	328.8	314.7	286.6
New Mortgage Lending £m	**93.7**	63.8	70.1	52.1
Mortgage Assets growth %	**12.2%**	3.8%	9.5%	1.6%
Retail Share Balances net increase/(decrease) £m	**15.8**	20.7	14.4	(0.8)
Total Savings Balances net increase £m (2)	**16.2**	18.6	24.0	0.1
Management Expenses as a % of mean Total Assets	**1.22%**	1.21%	1.23%	1.19%
Cost to Income Ratio %	**67.88%**	65.16%	62.36%	62.73%
Profit after Tax £m	**1.55**	1.57	1.57	1.31
Liquid Assets as a % of Shares and Borrowings (1)	**22.03%**	22.41%	21.87%	21.68%
Mortgage Arrears on accounts>2 months in arrears £m	**0.06**	0.06	0.06	0.06
Gross Capital as a % of Shares and Borrowings	**7.64%**	8.07%	7.89%	8.09%

(1) In 2014, 2015, 2016 and 2017 respectively the Society held cumulative drawdown balances of £27m, £31m, £31m and £15m from the Funding For Lending Scheme (FLS). This funding was accounted for off balance sheet unless it was the subject of a repurchase agreement. In 2014, 2015, 2016 and 2017 the repurchase agreements were for £20m, £22m, £23m and Nil which brings that funding onto the balance sheet and leaves £7m, £9m, £8m and £15m off balance sheet in each year.

(2) Total savings includes retail share balances and deposits into non member accounts, for example, Business Deposit and SIPP Cash Deposit.

Various key performance indicators are used to measure and monitor periodic progress and these are shown in the table above. As well as showing the movement in business volumes they also include performance measures, which are explained more fully below.

- Management expenses as a percentage of mean total assets measures the Society's efficiency. The Society has continued to invest in staff, training and systems, representing an investment that the Society is making in the future sustainability of the business.
- Liquid assets as a percentage of shares and borrowings are monitored by the Board to ensure an adequate level of liquidity is maintained to meet payments when they become due.
- Gross capital is the general reserve expressed as a percentage of shares and borrowings. It is an indication of the Society's financial strength and represents accumulated post tax profits.

Mortgages

We are pleased to report an exceptional mortgage lending performance with completed advances of £93.7 million (2016: £63.8 million) the majority of which are secured on residential wholly owner occupied property. The increase in mortgage balances has been funded, in the main, by retail savings inflows from new members joining the Society, some wholesale borrowing from other building societies and Local Authorities and drawdowns from the Term Funding Scheme (TFS). We continue to closely monitor all lending decisions, adopting a common-sense and responsible approach to new lending in order to maintain a high quality loan book.

All mortgage cases are fully assessed by our own underwriters (we do not operate automated credit scoring) to understand each case on its own merits. Our underwriting process ensures borrowers have adequate repayment affordability even allowing for the impact of potential future interest rate increases.

There continues to be strong market/intermediary demand for different segments of mortgage lending including First Time Buyer/Low-Deposit mortgages, Buy to Let, Shared Ownership (part-rent/part-buy), Self Build and Lending into Retirement. The Society maintains prudent limits to ensure we do not allow the mortgage book to become over reliant on the performance of any particular lending segment.

The Board is encouraged to see continued Government backing for a number of housing initiatives to assist people to obtain their own home and is keen to support these where possible. The Society offers a number of products to assist First Time Buyers including the Help to Buy Scheme.

Overall arrears levels have remained very low reflecting the low levels of unemployment and the Society's robust underwriting approach which stress-tests future borrower affordability were interest rates to increase significantly.

As at 31 December 2017 there was one mortgage case where repayments were 12 months or more in arrears (2016: nil); the amount of those arrears being £5,535 (2016: £nil) and the mortgage balance £74,668 (2016: £nil). The Society always attempts to assist customers in arrears to reach a manageable solution. This is the reason that the cases with arrears greater than 12 months are infrequent, as customers were able to find a solution to reduce the arrears which was the right outcome for our customers and the Society. Where the Society considers there to be a possibility of loss, an impairment allowance is made in accordance with Board approved policy.

The Society, once again, suffered no mortgage losses in the year.

Borrowers experiencing payment difficulties are encouraged to contact the Society as a number of forbearance measures are available to assist them, if appropriate, with what, in most cases, are temporary problems. These measures could include: a temporary transfer to interest only payments; agreeing an arrears repayment plan; term extensions; or a temporary reduction in payments in order to reduce the financial pressure on the borrower. For all these cases, the intention is that the borrower will resume normal payments as soon as they are able.

The Board recognises the need to prudently provide for losses. A review of the impairment allowance for forbearance cases, interest only cases where the customer has no evidence of a repayment vehicle and those customers with a higher propensity to default, has resulted in a small reduction in the impairment allowance to £621,000 (2016: £625,000).

Savings

Member savings balances increased by £15.8m in 2017 (2016: increase by £20.7 million). This change was driven by a strategy of maintaining competitive rates across a wide range of products. Postal Notice accounts were particularly successful along with the range of Fixed Rate Bonds and our Community Deposit Account.

At our AGM in April we launched a range of Community Savings accounts which pay a competitive rate of interest to our members as well as providing a contribution to the Charitable Trust Fund from the Society. The charitable contribution is based on the average balances on the account during the year. Since launch we have now attracted over £2.8m into these accounts.

Notwithstanding the recent increase in the Bank of England Base Rate, the ongoing low interest rate environment is likely to prevail in the foreseeable future given that the Bank of England have repeatedly stated that any future rate rises will be phased in gradually.

We constantly monitor the market to ensure our savings products remain competitively priced and again we are ahead of average savings rates in the market. We continue to reserve our better savings rates for loyal and local customers and also, the Community Deposit Account (for local clubs, charities and associations) continues to provide a higher rate than other comparable deposit accounts. We also attract future savers through maintaining a competitive range of products for younger savers.

Capital and liquidity

The Prudential Regulatory Authority supervises the financial health of all building societies and enforces strict requirements in respect of capital and liquidity levels as well as broader systems of governance and control.

This regulatory oversight aligns fully with the Society's Promise of maintaining a safe and secure haven for savings. Growing Capital Reserves each year through maintaining healthy levels of post-tax profits, protects members against future risks and enables us to offer a wide range of mortgage products that generate income to maintain competitive savings rates.

At 31 December 2017, gross capital, which is represented by reserves, amounted to £26.0 million (2016: £24.5 million), being 7.64% of total shares and borrowings (2016: 8.07%). Free capital, which comprises gross capital, loan impairment allowance less tangible and intangible fixed assets, amounted to £24.6 million (2016: £23.3 million) being 7.21% of total shares and borrowings (2016: 7.70%).

Liquid assets in the form of cash in hand, deposits with credit institutions and debt securities stood at £75.1 million representing 22.03% of shares and borrowings as at 31 December 2017. This compares with £68.0 million and 22.4% reported at 31 December 2016. The liquid assets figure of £75.1 million does not include £15 million (2016: £8.0 million) of Treasury Bills we hold as part of the FLS as these are held off balance sheet for accounting purposes. The Board has been able to keep liquidity at efficient levels as the Society continues to have access to the various facilities in the Bank of England's Sterling Monetary Framework operations. This facility is designed to provide lenders with greater access and flexibility in managing balance sheet funding.

The Society's approach to risk management and the annual capital adequacy assessment are in line with the Capital Requirements Directive and can be found in the Society's Pillar 3 disclosures and additional disclosures section on our website, www.mansfieldbs.co.uk under "Corporate information".

Financial risk management objectives and policies

The Society has a formal structure for managing risk, including procedures for identifying and measuring risks, establishing risk limits, reporting lines, mandates and other control procedures. The Board is responsible for managing and controlling the balance sheet exposures and the use of financial instruments for risk management purposes.

Principal risks and uncertainties

The Society operates within a cautious Board approved risk appetite. We are members of the Financial Services Compensation Scheme and protecting investors' and members' interests is paramount. The principal business risks to which the Society is exposed are considered to be:

- **Strategic risk** is the impact on the Society's business model as a result of the changing interest rate environment, competition and legislation. These have the potential to reduce the Society's profit levels and contribution to capital, thereby threatening the financial strength of the Society. Strategic risk is regularly considered by the Board.
- **Credit risk** is the risk that mortgage customers or treasury counterparties default on their obligation to pay.

  Mortgage credit risk is controlled in accordance with the Board-approved lending policy and by strict controls over lending mandates. Mortgage applications are approved by a central underwriting team in accordance with the lending policy. Quality control reports are regularly considered by the Credit Committee.

  Counterparty credit risk is controlled through adherence to the Board-approved policies for Liquidity and Financial Risk Management – these include prudent limits on credit exposures to individual and groups of counterparties.
- **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. Interest rate risk is managed utilising financial instruments where appropriate (in accordance with the Board-approved policies for Liquidity and Financial Risk Management), and are regularly reviewed by the Management Assets & Liabilities Committee.
- **Liquidity risk** is the risk of being unable to meet demands and commitments to provide funds to customers and other third parties. Liquidity risk is controlled through adherence to the Board-approved policies for Liquidity and Financial Risk Management – this ensures sufficient funds in liquid form are available at all times so the Society can meet its liabilities as they fall due. Stress tests are carried out regularly to confirm that the Society can withstand normal and abnormal cash outflows. The policies for Liquidity and Financial Risk Management are regularly reviewed by the Risk Committee and are approved by the Board.
- **Operational risk *(including Cyber risk)*** is the risk of loss arising from inadequate or failed internal processes or systems, human error or external events. The Society has robust processes and controls in place for all operational areas, which are designed to mitigate this risk. The Society has invested heavily in upgrading IT systems and enhancing security measures to ensure we are protected from Cyber risk. The Audit and Compliance Committee is responsible for assessing the effectiveness of the system of inspection and control including cyber protection.

- **Legal and Regulatory risk** is the risk of failing to interpret, implement and comply with the array of legal and regulatory requirements. This is regularly reviewed by the Risk Committee.
- **Conduct Risk** is the risk of the Society providing poor outcomes to customers. 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. The executive committees monitor conduct risk at an operational level.

The identification, control and monitoring of risks remains a business priority. Through regular assessment of risk management procedures, steps are taken to mitigate such risks. The Society has business continuity plans in place which it regularly reviews and tests as part of this ongoing review process.

The Society has a Board Risk Policy which outlines the key policies and controls in place to ensure that the risks that exist in the business are well managed.

Staff

The Society is proud of our excellent customer service record and this is founded upon well qualified staff, motivated to do an excellent job and who act in the best interests of our members. The Board would like to thank the staff for delivering an excellent year of profitable growth whilst maintaining a high level of service to our members. Our staff worked extremely hard throughout 2017 and coped admirably with the challenge of balancing high volumes of business with the need for change in both processes and systems, to keep pace with regulation. We have invested in additional resources to ensure that all staff have the appropriate time and tools to deliver our service commitment to provide individual personal service to members.

The Society's executives regularly consult with a Staff Council and hold monthly briefings for all staff via a Communications Cascade process to ensure that all employees are aware of the Society's performance and objectives, and understand the part they play in achieving them.

The Society has also invested in learning and development resource in 2017 and formal job training was supplemented by a series of "Lunch & Learn" sessions which allowed staff to learn new skills in a more relaxed environment. Staff support was further enhanced by a new Health and Well Being programme which has been successfully introduced for all staff to take advantage of.

2018 will see the launch of our Management Development programme which will focus on the key skills of managing both people and tasks. This will be made available to all managers and aspiring managers.

As an equal opportunities employer, the Society values the differences that a diverse workforce can bring and is committed to ensuring 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.

The Board thanks everyone for their dedication and hard work in achieving another year of excellent results enabling the Society to maintain its place in a continually evolving financial services market.

Community involvement

The communities in which our branches operate are very much at the heart of the Society. This year we have continued to give something back to the communities where our members live and work by supporting local charities with fund raising, helping local projects through our Work in the Communities Scheme and offering financial support to local organisations through our Community Support Scheme.

Our staff chose Macmillan Cancer Support as our charity of the year and have shown great enthusiasm towards raising funds throughout the year. Staff have participated in many events including climbing Mount Snowdon, the Notts 10k run, a quiz night, Branch to Branch walk, The Mansfield's own 'bake off', a 'biggest loser' sponsored diet and an exercise bike challenge in the Mansfield branch that brought out the competitive side of many staff members. In total the staff, and their sponsors, have collectively raised the substantial sum of £7,480. We are proud to be supporting Macmillan Cancer Support and we will be organising further fundraising events and providing staff volunteering days throughout 2018.

In addition, we actively encourage staff to participate in the Work in the Community Scheme through granting two days paid leave each year for our staff to assist local deserving causes.

Staff assistance in 2017 included supporting craft projects at a local school; clearing wasteland to create more useable space for a community garden; assisting with interview/CV practice and career evenings for local teenagers; supporting the local Prince's Trust initiative; and painting walls at a local school. The response from the recipients of this support has been extremely positive:

"A huge thank you to you and your amazing team who have gone the extra mile this year in making the right kind of difference to young people at the Brunt's Academy."

The Society's Community Support scheme contributions totalled £20,000 in 2017 (2016: £20,000) as the Board demonstrated an ongoing commitment to provide support for worthy causes in our local community. In addition to these endeavours, the Society set up a Charitable Trust Fund in 2015 which will be used to fund larger charitable donations and provide enduring support to our local communities. The fund was started up with a £50,000 donation from Society profits and a further £25,000 was contributed in 2016.

The fund trustees awarded the first donation of £10,000 from the scheme in 2017 – this was granted to the Inspire and Achieve charity to fund the Prince's Trust programme for young adults in the Mansfield area. A further grant of £10,000 is planned to continue to support this worthy cause in 2018. This support has been well received by the charity concerned:

"Not only has your financial support helped the Prince's Trust Programme get up and running in Mansfield, but the time dedicated by your individual staff members has been amazing – thank you all."

The Society has provided a further £45,000 into the Charitable Trust Fund out of 2017 profits, to enable the fund to support more local charities and initiatives.

It remains the Society's policy not to make political donations.

Future developments

Our careful and cautious approach to mortgage underwriting has protected the Society from serious financial losses. Our considered and prudent approach to conducting our business affairs means that we are well placed to take advantage of opportunities in sectors that are sometimes ignored by larger lenders. Buy to let, self-build, shared ownership and lending into retirement are areas in which we are actively increasing our mortgage book in a controlled manner and this will continue into 2018.

The use of mortgage brokers to assess and recommend mortgage solutions continues to grow in popularity and the Society will continue to invest in the infrastructure for this part of the business with the enhancement of our Mortgage Broker Portal in 2018 to allow mortgage intermediaries to obtain a decision in principle and make an application over the internet.

Our range of savings products will continue to be reviewed to ensure they remain competitive and ahead of average savings rates in the market. In addition, consideration will be given to upgrading the existing online access we provide to savings accounts.

The Society will also invest in the infrastructure of the branch network and we expect to start the refurbishment of at least one of our premises in 2018.

In 2017 the Society invested in upgrading our IT infrastructure and strengthening our defences against Cyber threats. These threats are continually evolving and further investment will be required to maintain our levels of protection.

The level of mortgage growth achieved in 2017 was an exceptional performance in a difficult market. Given market competition is intensifying, the Board expects growth in mortgages to be a challenge for the year ahead with market pricing likely to drive a reduction in the interest margin that the Society is able to achieve.

Notwithstanding these market pressures, the Society is well placed to maintain its strong capital position and robust infrastructure to meet customer and regulatory needs.

The Board is very proud of the work that our staff perform in the community and is supportive of the increased focus that this activity will receive in future years. 2018 will see the launch of our financial education programme in local schools and there are plans to roll this out to a wider audience if successful.

Directors

The following were directors of the Society during the year:

Non-executive directors

Jeremy Cross, ACA	Chairman
Rob Clifford, CertPFS	Vice Chairman and Senior Independent Director
Robert Hartley, FRICS	
Alison Chmiel, FCMA	
Colin Bradley, ACA, ACIB	
Nick Baxter, DipM DipMan (Open)	

Executive directors

Gev Lynott, FCCA, FCIB	Chief Executive
Paul Wheeler, ACA	Deputy Chief Executive, Finance Director and Secretary

Gev Lynott and Rob Clifford stand for re-election in accordance with Rule 26 (retirement by rotation).

At 31 December 2017 no director held any interest in the shares or debentures of any connected undertaking.

Auditor

After a full tender process during 2017 the Board has decided to continue to recommend KPMG LLP be appointed as auditor and a resolution for their appointment will be proposed to the Society's forthcoming Annual General Meeting.

On behalf of the Board of Directors

Jeremy Cross
Chairman
1 March 2018

Summary Financial Statement for the year ended 31 December 2017

RESULTS FOR THE YEAR	2017 £'000	2016 £'000
Net Interest Receivable	6,189	5,898
Other Income and Charges	94	91
Administrative Expenses	(4,264)	(3,902)
Impairment Losses	4	8
Other Provisions	(109)	(118)
Profit for the year before taxation	**1,914**	1,977
Taxation	(368)	(402)
Profit for the year	**1,546**	1,575
FINANCIAL POSITION AT END OF YEAR		
Assets		
Liquid Assets	75,075	67,993
Mortgages	290,501	258,813
Derivative Financial Instruments	139	8
Fixed and Other Assets	2,373	1,953
Total Assets	**368,088**	328,767
Liabilities		
Shares	264,818	249,061
Borrowings	76,028	54,323
Derivative Financial Instruments	51	126
Other Liabilities	1,151	763
Reserves	26,040	24,494
Total Liabilities	**368,088**	328,767

SUMMARY OF KEY FINANCIAL RATIOS	2017 %	2016 %
Gross Capital as a % of Shares and Borrowings	**7.64**	8.07
Liquid Assets as a % of Shares and Borrowings	**22.03**	22.41
Profit for the year as a % of mean Total Assets	**0.44**	0.49
Management Expenses as a % of mean Total Assets	**1.22**	1.21

Gross capital as a percentage of shares and borrowings

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

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

Liquid assets as a percentage of shares and borrowings

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

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

The Society needs to make a level of profit each year which maintains 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.

Management expenses as a percentage of mean total assets

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

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

Approved by the Board of Directors on 1 March 2018 and signed on its behalf by:

Jeremy Cross
Chairman

Paul Wheeler
Deputy Chief Executive, Finance Director and Secretary

Gev Lynott
Chief Executive and Director

Independent Auditor's Statement to the Members and Depositors of The Mansfield Building Society

Opinion

We have examined the summary financial statement of The Mansfield Building Society ('the Society') for the year ended 31 December 2017 set out on pages 1 to 11.

On the basis of the work performed, as described below, in our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2017 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for opinion

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2017, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2017.

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

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

Matthew Rowell
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

1 March 2018

Summary Directors' Remuneration Report

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. In providing such information to members, the Society has adopted a Remuneration Policy which describes how the Society also complies with the applicable principles within the FCA's Remuneration Code. A resolution will again be put to the AGM, inviting members to vote on the Directors' Remuneration Report. The vote is advisory and the Board will consider what action is required.

The Remuneration Committee

This report has been prepared by the Remuneration Committee, which is made up entirely of non-executive directors and meets three times a year, with special meetings as needed. The membership of the Committee during 2017 was:

Robert Hartley (Chair)
Jeremy Cross

Meetings of the Committee are also attended by Gev Lynott, Paul Wheeler and Vickie Preston, 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 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 – this takes into account the job content and responsibilities, individual performance (assessed annually) and salary levels for similar positions in comparable organisations.

Bonus – the two executive directors are entitled to a medium term bonus which is a non-pensionable, performance related cash bonus payable on achievement of Board specified key performance indicators and personal objectives which include risk management objectives. Performance is based on a one year period with 50% of the payment being deferred equally over the following two years. The deferred payment is subject to additional medium term performance objectives. Payment is not guaranteed and the maximum bonus is 20% of basic salary. Given the successful performance during 2017, the two executive directors have earned 15% of basic salary as reward under this scheme.

Pensions – the executive directors are entitled to a Group Personal Pension Plan which is available for all staff.

Other benefits – notably the provision of a car allowance to each executive director and private medical insurance. Benefits are reviewed annually by the Remuneration Committee.

Service contracts

The Chief Executive has a service contract with the Society dated 15 September 2011. The Chief Executive's notice period to the Society is nine months. The Society's notice period to the Chief Executive is 12 months. In the event of amalgamation, transfer of engagements or transfer of business where the executive

Summary Directors' Remuneration Report

director's employment is to be terminated, the Society shall give not less than 12 months notice.

The Deputy Chief Executive, Finance Director and Secretary has a service contract dated 7 July 2011. The Deputy Chief Executive's notice period to the Society is six months. The Society's notice period to the Deputy Chief Executive is 12 months. In the event of amalgamation, transfer of engagements or transfer of business where the executive director's employment is to be terminated, the Society shall give not less than 12 months notice.

Policy for non-executive directors

The remuneration of non-executive directors is reviewed annually by the Remuneration Committee, using external data from other comparable building societies, and by a performance review process undertaken by the Society's Chairman.

The remuneration of the Chairman is reviewed by the 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 2017 are shown below.

Audited	2017 £000	2016 £000
Non-executive directors' fees	144	140
Executive directors' remuneration	354	331
Total	**498**	471

Non-executive directors' fees	2017 £000	2016 £000
Jeremy Cross (Chairman)	33	32
Rob Clifford	21	21
Alison Chmiel	24	23
Robert Hartley	21	21
Ian Rowling (1)	-	20
Nick Baxter (2)	21	-
Colin Bradley	24	23
Total	**144**	140

Summary Directors' Remuneration Report

	Salary £000	Annual Bonus £000	Deferred Bonus £000	Benefit £000	Pension £000	2017 £000
Executive Directors						
Gev Lynott (CEO) (3)	151	11	12	18	0	192
Paul Wheeler (DCEO) (4)	105	9	9	14	25	162
Total	256	20	21	32	25	354

	Salary £000	Annual Bonus £000	Deferred Bonus £000	Benefit £000	Pension £000	2016 £000
Executive Directors						
Gev Lynott (CEO) (3)	144	9	9	17	–	179
Paul Wheeler (DCEO) (4)	104	9	7	14	18	152
Total	248	18	16	31	18	331

(1) Ian Rowling resigned from the Board November 2016.

(2) Nick Baxter joined the Board January 2017.

(3) Pension contributions for Gev Lynott have been made in full for 6 future years during the financial year ended 31 December 2012. A contract is in place which returns this money to the Society on a pro rata basis should Gev Lynott leave before May 2018.

(4) Paul Wheeler has chosen to salary sacrifice his pension contributions thus reducing his salary and increasing his pension benefit.

On behalf of the Board of Directors

Robert Hartley
Chair of the Remuneration Committee

1 March 2018

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