Spring 2020

Summary Financial Statement

For the year ended 31 December 2019

MANSFIELD
BUILDING SOCIETY

For you | With you | Always

150 YEARS YOUNG
1870-2020

THE DIRECTORS ARE PLEASED TO PRESENT THEIR SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019.

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 27 March 2019 and on our website as soon as practicable after the 2020 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 via the Bank of England's funding schemes and we use the wholesale money markets to smooth out fluctuations between savings inflows and mortgage needs.

The Society is also focused on delivering support to the local community via the Mansfield Building Society Charitable Trust fund which has supported various local projects, as well as smaller donations to a number of local organisations to support specific initiatives. Our staff also supply their time and skills whilst volunteering help to many local organisations.

BUSINESS REVIEW

This has been a strong year for the Society in a climate of significant uncertainty. Demand in the housing market appeared to be impacted by the continued lack of clarity around the future of the UK in the European Union. The lack of any clear Brexit strategy created nervousness for house buyers and this was particularly noticeable in the lengthening of time taken from approving a mortgage case to the funds being drawn down on completion. This was combined with an increase in customers choosing not to proceed with their purchases after a mortgage offer had been made.

Against this backdrop the Board is extremely pleased with the level of mortgage lending with Gross Advances of £89.8m (2018: £94.0m). As expected, the annual growth in the mortgage book dropped back to a more sustainable level of £13m, reflecting a period of normalisation for book growth following the exceptional growth levels achieved in the previous two years (2018: £34m).

Total Assets have grown by £25.9m (2018: £39.7m) reflecting the slower growth in the mortgage book offset by an increase in liquidity of £12.4m (2018: £5.4m).

Looking ahead to 2020, the election of a Government with a strong majority should hopefully reduce some of the uncertainties that impacted the housing market in 2019. Reports indicate that there should be a modest growth in house prices and average earnings are expected to outpace inflation which should boost confidence in the market and lead to an increase in demand for house purchases.

The Society has maintained its focus on building reserves through improved profitability. The strong growth of the mortgage book over the past two years has lifted profit levels to a record £1.89m which has further bolstered our capital reserves to £29.7m (2018: £27.8m). 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.

A low Bank of England Bank Rate (0.75% throughout 2019) and fierce competition in the mortgage market driving down asset returns, has meant that savings rates have continued to remain subdued.

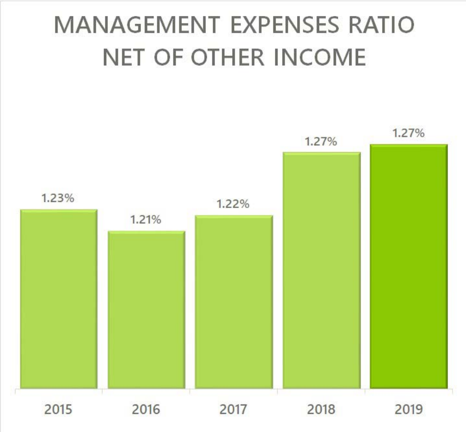
The Society continually reviews the savings rates that it is offering against the wider market and once again, we regularly appeared in Best Buy tables with our competitive savings products that were on offer during 2019. Our sustained level of competitiveness led to growth in total savings balances of £29.7m. It was particularly pleasing to see a large proportion of this growth coming from our branch network.

The net interest margin has fallen to 1.87% (2018: 1.91%) due to the downward pressure on mortgage rates created by the increase in competition in a market which was impacted by the uncertainty surrounding Brexit. The net interest margin is still very healthy and is being maintained at this level due to the continuing proportion of lending in the underserved mortgage markets e.g. self build. Net interest margin will continue to come under pressure as more lenders enter the market, typically with aggressive product pricing. Competition for retail savings will also increase, as the Bank of England funding schemes are not planned to be extended and new entrants continue to join the market.

Achieving a continued increase in mortgage income has enabled the Society to make further investment in strengthening the people and system resources to deliver future sustained growth. This important investment in resources ensures that the Society will continue to have the people and systems of control, to manage risks and deliver numerous change projects brought about by regulatory requirements and market developments. A significant proportion of the year on year increase in administration costs continues to be invested in developing the systems environment operated by the Society.

During 2019 we went live on our new online savings platform and we will further enhance this during 2020 to provide members with more functionality. We have also continued investing in training and development of staff, community engagement and further strengthening cyber security defences.

The management expenses ratio of 1.27% (2018: 1.27%) reflects this continued investment in the infrastructure of the Society and remains favourably positioned in peer group comparisons.



The Society successfully launched a new Brand during 2019 which we believe gives us a modern, fresh look whilst maintaining the heritage that we are extremely proud of. This modernisation was carried into the newly located branch in Sutton-in-Ashfield, which has been designed to provide members with convenience and comfort in a more modern environment. We also updated the fascia's of our branches in Kirkby-in-Ashfield and Chesterfield as well as that of Head Office and launched a brand new website with improved navigation.

Further branch developments will be made in 2020 as the Society has acquired new premises in the centre of Mansfield and will be relocating the existing branch from the Regent Street Head Office to this new location. This will also give us the opportunity to utilise the existing branch as additional office space as we continue to grow.

One of the key reasons for the Society being so successful over the last few years has been the performance of our staff. In order to support our teams, we took the decision to invest in training and development by delivering additional in house training as well as the continuation of our Management Development Programme. We have also launched a similar programme for future managers. The first of these programmes finished during 2019 and has received excellent feedback from the managers involved. Many of our staff are now progressing their career with the Society by enhancing their professional qualifications and this is further enhancing their skills and knowledge.

During 2020, the management expenses ratio is expected to increase as we make the necessary further investments to ensure we continue to meet both member and regulatory needs. This will include the new branch in Mansfield, the enhanced functionality for online savers and a new internet portal for mortgage customers wishing to renew their mortgage on expiry of their promotional term.

Whilst strong finances are important, as a mutual membership based organisation, the service to our members and our community is paramount. It is therefore pleasing to report that we again won the prestigious Platinum award for Customer Service at the Mansfield Town Centre Customer Service Awards organised by Mansfield BID, and are also finalists in the British Bank Awards for Best Specialist Mortgage Provider.

Members continue to appreciate our service with 97% of savings customers who returned our survey questionnaires in 2019 willing to recommend the Society to a friend or relative. Indeed, our strong service ethic is also reflected in the small number of upheld complaints we receive. These results reinforce our belief 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 Mansfield Building Society 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 five years:

SIGNIFICANT STATISTICS	2019	2018	2017	2016	2015
Total Assets £m[1]	433.7	407.8	368.1	328.8	314.7
New Mortgage Lending £m	89.8	94.0	93.7	63.8	70.1
Mortgage Assets growth	4.0%	11.7%	12.2%	3.8%	9.5%
Retail Share Balances net increase £m	28.9	20.8	15.8	20.7	14.4
Total Savings Balances net increase £m[2]	29.7	24.9	16.2	18.6	24.0
Management Expenses as a % mean Total Assets	1.27%	1.27%	1.22%	1.21%	1.23%
Cost to Income Ratio	68.21%	66.46%	67.88%	65.16%	62.36%
Profit After Tax £m	1.89	1.75	1.55	1.57	1.57
Liquid Assets as a % of Shares and Borrowings[1]	23.06%	21.23%	22.03%	22.41%	21.87%
Mortgage Arrears on accounts >2 months in arrears £m	0.09	0.06	0.06	0.06	0.06
Gross Capital as a % of Shares and Borrowings	7.38%	7.34%	7.64%	8.07%	7.89%

(1) In 2015, 2016, 2017, 2018 and 2019 respectively the Society held cumulative drawdown balances of £31m, £31m, £15m, £4m and £0m 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 2015, 2016, 2017, 2018 and 2019 the repurchase agreements were for £22m, £23m, Nil, Nil and Nil which brings that funding on to the balance sheet and leaves £9m, £8m, £15m, £4m and £0m 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.

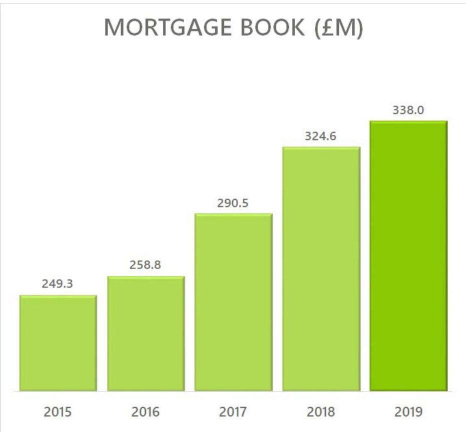
Various Key Performance Indicators are used to measure and monitor periodic progress and these are shown in the table above. They include performance measures, which are explained more fully below.

- 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

The Society continues to ensure that mortgage growth is delivered in a controlled and measured way and therefore it was expected that the exceptional (c.12%) annual growth levels of 2017-2018 would reduce to more normalised levels. The Board is therefore pleased to report a 4% growth in the mortgage book, driven by new lending of £89.8m in a market which was subdued by the uncertainty surrounding Brexit and therefore the economy.

All lending decisions continue to receive oversight by experienced underwriters adopting a common-sense and responsible approach to new lending in order to maintain a high quality loan book. The increase in mortgage balances has been funded, in the main, by £29.7m of retail savings inflows from our members, both new and existing.



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. The underwriting process applies a number of checks to ensure 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, Shared Ownership (part-rent/part-buy), Self Build and Lending into Retirement. The Society maintains prudent limits to ensure it does not allow the mortgage book to become over reliant on the performance of any particular lending segment.

The Society continues to look for ways to help as many people as possible with their mortgage requirements and to continue this journey, we have launched our range of residential mortgages in Scotland during 2019. We have also launched specific products for the Holiday Let market and a buy to let mortgage for Ex Pats living abroad.

Overall arrears levels have remained at very low levels 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 2019 there was one mortgage where repayments were 12 months or more in arrears (2018: Nil); the amount of those arrears being £12,924 (2018: £Nil) and the mortgage balance £153,686 (2018: £Nil). This mortgage was redeemed in January 2020 as the customer was able to sell the house and clear the debt. The Society always attempts to assist customers in arrears to reach a manageable solution. This is the reason that cases with arrears greater than 12 months are infrequent, as customers are able to find a solution to reduce their arrears. We believe this is 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 did not take any properties into possession during the year.

Borrowers experiencing payment difficulties are encouraged to contact the Society as a number of forbearance measures are available to assist them 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 appropriately 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, customers who are more susceptible to a payment shock and those customers with a higher propensity to default has resulted in an increase in the impairment allowance to £723,329 (2018: £708,000).

SAVINGS

Member savings balances increased by £28.9m (2018: £20.8m) through attracting funds into a diverse range of accounts including fixed term bonds, postal accounts, regular savings, and community deposits. Our fixed rate bonds were particularly successful along with our range of notice accounts.

Our range of Community Savings accounts which pay a competitive rate of interest to our members as well as providing a contribution to our Charitable Trust Fund from the Society grew from £6.7m to £13.9m during the year and are proving to be a popular choice with members.

The ongoing low interest rate environment is likely to prevail in the foreseeable future given that the messaging from the Governor of the Bank of England has indicated that any future rate rises will be phased in gradually. Indeed, there remains the possibility that the Bank of England Bank Rate may be reduced before any subsequent increases are introduced.

We constantly monitor the market to ensure our savings products remain competitively priced and ahead of average savings rates in the market. We continue to reserve our better savings rates for local and loyal customers and our 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

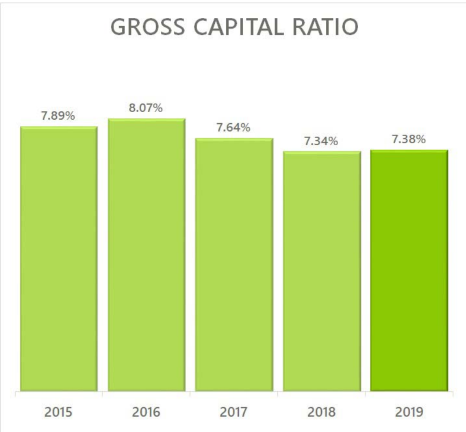
The Prudential Regulation Authority supervises the financial health of all building societies and enforces strict requirements in respect of capital and liquidity levels as well as broader systems of governance and control.

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 2019, gross capital, which is represented by reserves, amounted to £29.7m (2018: £27.8m), being 7.38% of total shares and borrowings (2018: 7.34%). Free capital, which comprises gross capital, collective loan impairment allowance less tangible and intangible fixed assets, amounted to £27.8m (2018: £26.3m).

The slower rate of asset growth coupled with the high level of post-tax profits made has allowed the Society to strengthen the capital ratio in 2019.

Liquid assets in the form of cash in hand, deposits with credit institutions and debt securities stood at £92.8m representing 23.06% of shares and borrowings as at 31 December 2019. This compares with £80.4m and 21.23% reported at 31 December 2018. The liquid assets figure of £92.8m does not include any Treasury Bills (2018: £4m) we hold as part of the Funding for Lending Scheme as these were fully repaid in 2019. 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, mansfieldbs.co.uk under "Corporate Information".

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 and our Charitable Trust.

CHARITY PARTNER

Our staff chose to support Macmillan Cancer Support for two years as our Society charity. As the fund raising was so successful our staff decided to extend the partnership for a further year. They have continued to show great enthusiasm towards raising funds throughout 2019 and finished the year having raised a grand total of £17,243 over the 3 years. Staff have participated in many events over the 3 years including the Yorkshire 3 Peak Challenge, the London Marathon, Branch to Branch walk, the Mansfield's own 'bake off' and numerous cake sales and raffles. The highlight of 2019 was the 'Executive Leg Waxing' when 3 of our male executives agreed to have their legs waxed in the banking hall of our Mansfield branch. A particular favourite each year has been the Christmas lunch cooked by the charity committee for other members of staff.

WE ARE MACMILLAN. CANCER SUPPORT

We are proud to announce that our staff have voted to support another excellent cause for 2020 and we will be organising events to raise funds for the Lincs and Notts Air Ambulance.

LINCS & NOTTS AIR AMBULANCE SAVING LIVES EVERYDAY

WORK IN THE COMMUNITY SCHEME

We actively encourage staff to participate in the Work in the Community Scheme by granting two days paid leave each year for individuals to assist deserving causes.

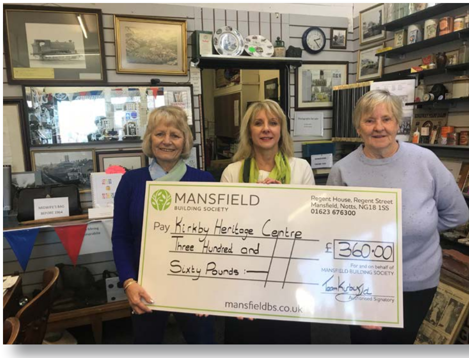
In 2019, 56 staff members donated 104 days to the local community by participating in various initiatives. These initiatives included craft projects with local schools, helping to develop interview skills, CV writing and career guidance for local teenagers; delivering financial education in primary schools and painting gates at Millennium Green conservation area.

COMMUNITY SUPPORT SCHEME

The Society's Community Support Scheme contributions totalled £13,045 in 2019 (2018: £14,002) as the Board demonstrated an ongoing commitment to provide support for worthy causes in our local community. We supported a number of local organisations and have received some excellent feedback from them –

"What a wonderful start to the year. Thank you to Mansfield Building Society for this donation. This will make a real positive difference to our local community!"

- Forest Town Nature Conservation Group



"The donation has allowed us to produce a calendar with photographs of local events, many of which provide fond memories for our customers. The sales of this calendar help us keep the centre open for the community to continue to use."

- The Kirkby Heritage Centre

"The Breach House is a free-to-use service, run completely by volunteers. We are passionate about getting the local community involved in DH Lawrence's literature and life. The library is just one project on our list of ideas and it couldn't have been possible without this donation."

- The Breach House Project

CHARITABLE TRUST FUND

In addition to these worthy 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. Future funding is received partly via our contribution from the Community Saver Account balances and partly from profits made during the year.

By the start of 2019 the fund had a total balance of £131,900 and the trustees awarded donations to Portland College to finish an exciting new activity trail and zip wire for the benefit of disabled students.

A grant was also awarded to the Inspire and Achieve Foundation to purchase new laptops to be used supporting the Prince's Trust programme for young disadvantaged adults in the Mansfield area.

During the year, the balances on our range of Community Saver Accounts grew to £13.9m - these accounts pay a competitive rate of interest to our saver members and also accrue a 0.1% annual contribution from the Society into the Charitable Trust Fund.

In total, the Society has provided £76,006 into the Charitable Trust Fund during 2019, to enable the fund to support more local charities and initiatives. The balance of the fund at the end of 2019 is £179,018.

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

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:

- 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.

- 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 and the Risk 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). This is regularly reviewed by the Management Assets and Liabilities Committee and the Risk 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, which 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 our IT systems and security 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.

- BREXIT RISK arises because a significant amount of uncertainty remains regarding the future relationship between the United Kingdom and the European Union. As a solely UK focused organisation, the Society has no direct exposure to the EU. However, the wider UK economic implications and operational impacts of Brexit have been considered and are summarised below:

  - The Board believes that the implications of Brexit are difficult to quantify; however, during the transition period, which ends 31 December 2020, uncertainty will remain in the economy as the details of the future trade agreements take time to negotiate. Depending on the negotiations there is a risk of recession leading to unemployment and therefore reduced ability from customers to repay their mortgages.

- The Board has focused on this potential downside when performing stress tests on the possible outcome and can reassure members that the Society has sufficient capital buffers to withstand this worst case Brexit fallout.

- The Board also considered other implications of Brexit and can confirm that our treasury assets are all invested in the UK and our staff are all UK residents. Although the Society has some exposure to suppliers with EU parent companies the Board considers the risks to be controlled and that the operational resilience of the organisation is not impacted by the UK leaving the EU.

▪ CLIMATE CHANGE RISK is the risk that the effects of climate change will have an impact on the environment to the extent that the residential houses that our mortgages are secured against are put at risk. This risk is particularly prevalent in coastal areas and places prone to flooding.

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.

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.

CORPORATE SOCIAL RESPONSIBILITY

The Society is committed to protecting the environment where possible and uses environmentally friendly stationery and equipment whenever this is appropriate. During 2020 a team of staff members have volunteered to look at ways in which the Society can improve its impact on the environment. We look forward to implementing some of the suggestions that will come from this group. The Society's policy on disposal also has regard to the environment, using appropriate methods of disposal for IT equipment and consumables, recycling wherever possible.

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 2019 and coped admirably with the challenge of balancing the hard work of bringing in business in an uncertain environment 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 Brand launch in May involved all staff and the Executive team took the opportunity to provide them with a reminder of the strategy and vision for the Society.

The Society has also invested in learning and development resource in 2019 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 the Health and Wellbeing programme which continues to provide a much needed balance between work and enjoyment.

2018 saw the launch of our Management Development programme which focusses on the key skills of managing both staff and tasks. This has been made available to all managers and aspiring managers. The first people to complete this course gave very positive feedback and we are now running further training programmes for two more groups of managers and supervisors.

We have also supported one of our aspiring senior managers through the Loughborough University Masters in Building Society Management which has been organised in conjunction with the Building Societies Association. We are pleased to announce that she graduated with a 1st class degree and has continued to progress within the organisation.

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.

FUTURE DEVELOPMENTS

The Board reviews the Society's strategy each year and in 2019 the Board Planning Day continued to review the longer term plans for the Society and refreshed its perspective on how member and intermediary requirements may change over the next 7 years. The Board also reviewed the expected market and technology change that will be inevitable during this period with support from experts in this field. Over this longer term time horizon, the Board expects that the net interest margin will come under pressure due to fierce competition within the mortgage market and also increasing competition for the retail savings necessary to fund future growth.

Our manual approach to mortgage underwriting using experienced individuals has protected the Society from serious financial losses. This manual and flexible approach allows us to review all the circumstances of a case and 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, lending into retirement and shared ownership are areas in which we are actively increasing our mortgage book in a controlled manner and this will continue into 2020. We have also launched our common sense lending on owner-occupied residential properties into Scotland and expect this to expand our geographical reach during 2020.

We plan to build upon our well-developed strengths in manual underwriting of residential mortgages, coupled with a common sense approach and strong customer service, to continue to deliver profitable growth.

Through ongoing feedback from members, customers and mortgage intermediaries, we will maintain an attractive and competitive product range and ensure our distribution relationships remain strong and productive.

To achieve the above, the Society plans to make further investments in staff, process and system improvements including: - a new branch outlet in our home town of Mansfield (bucking the industry trend of recent branch closures); an enhanced online savings offering, a new mortgage retention online portal and a planned upgrading of the head office building to include additional office space as our growth continues to increase our staff number requirements. All of this will be delivered against a backdrop of further strengthening our cyber security and operational resilience capabilities.

We will also grow our people to ensure we have appropriate resources, skills and experience to deliver significant change and realise the opportunities that lie ahead, for the long term interests of our members. We remain fully committed to further investing in the Society to ensure we can address any future headwinds and continue to deliver value to our members.

The level of mortgage growth achieved in 2017 and 2018 was an exceptional performance in a difficult market. Given the intensification of market competition and the uncertainty of Brexit, the Board was pleased with the growth of 4% in 2019 and expects future 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. Further interest margin pressure will come as the Society starts to repay the Government funding provided by the Term Funding Scheme. This will reduce profits in the short to medium term.

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

DIRECTORS

The following were directors of the Society during the year:

NON-EXECUTIVE DIRECTORS	
Jeremy Cross, FCA	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

Paul Wheeler, Nick Baxter and Robert Hartley stand for re-election in accordance with Rule 26 (retirement by rotation).

At 31 December 2019 no director held any interest in the shares or debentures of any connected undertaking.

Robert Hartley will retire from the Board later in 2020. This retirement will be timed to allow a suitable replacement to be appointed. The Board would like to thank Robert for all his valued input and support during his 9 year tenure.

In April 2020, Gev Lynott will be retiring as Chief Executive and the Board is pleased to announce that Paul Wheeler will be taking over the role of leading the Society. The Board would like to thank Gev for his excellent leadership during his time as Chief Executive and wish him well in his retirement.

AUDITOR

The Board was disappointed to be advised that KPMG have made a decision to withdraw from the audits of a number of building societies. For this reason, KPMG will not be standing for re-election at the forthcoming Annual General Meeting (AGM) and after a thorough tender process the Board has selected BDO LLP as their new auditors. The Board will recommend BDO LLP be appointed as auditor and a resolution for their appointment will be proposed to the Society's forthcoming AGM.

On behalf of the Board of Directors

Jeremy Cross
Chairman of the Board
3 March 2020

SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS FOR THE YEAR

	2019 £000	2018 £000
Net Interest Receivable	7,877	7,393
Other Income and Charges	(16)	13
Administrative Expenses	(5,363)	(4,922)
Impairment Provisions	(28)	(92)
Other Provisions	(130)	(214)
Profit for the year before taxation	2,340	2,178
Taxation	(447)	(424)
Profit for the year	**1,893**	**1,754**

FINANCIAL POSITION AT END OF YEAR

ASSETS

	2019 £000	2018 £000
Liquid Assets	92,812	80,434
Mortgages	337,958	324,599
Derivative Financial Instruments	21	232
Fixed and Other Assets	2,919	2,511
Total Assets	**433,710**	**407,776**

LIABILITIES

	2019 £000	2018 £000
Shares	314,510	285,606
Borrowings	87,910	93,181
Derivative Financial Instruments	411	66
Other Liabilities	1,192	1,129
Reserves	29,687	27,794
Total Liabilities	**433,710**	**407,776**

SUMMARY OF KEY FINANCIAL RATIOS

	2019 %	2018 %
Gross Capital as a % of Shares and Borrowings	7.38	7.34
Liquid Assets as a % of Shares and Borrowings	23.06	21.23
Profit for the year as a % of mean Total Assets	0.45	0.45
Management Expenses as a % of mean Total Assets	1.27	1.27

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 3 March 2020 and signed on its behalf by:

Jeremy Cross
Chairman of the Board

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 2019 set out on pages 1 to 16.

On the basis of the work performed, as described below, in our opinion the Summary Financial Statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2019 and conforms with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

BASIS FOR OPINION

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts and disclosures included in the Summary Financial Statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2019, including consideration of whether, in our opinion, the information in the Summary Financial Statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of Section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2019.

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

3 March 2020

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 2019 was:

Robert Hartley (Chair)
Jeremy Cross
Nick Baxter - Appointed 25 April 2019

Meetings of the Committee are also attended by Gev Lynott (Chief Executive), Paul Wheeler (Deputy Chief Executive, Finance Director and Secretary) and Vickie Preston (Head of HR and Training), 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 good performance during 2019, the two executive directors have earned 12.5% 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. The rate of contribution from the Society differs between the executive directors and the rest of the staff which is not in line with the most recent corporate governance guidelines. The contributions paid are regularly benchmarked against other organisations in the local area as part of our review of the total package paid to all staff and the Board is currently satisfied that the total packages are set at a level which allows the Society to attract a high quality of staff at all levels.

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.

The Committee are satisfied that the Remuneration Policy has achieved the desired performance and behavioural outcomes during 2019.

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 9 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 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 6 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 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.

SUMMARY DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION

Details of directors' emoluments for the financial year ended 31 December 2019 are shown below:

AUDIT	2019 £000	2018 £000
Non-executive directors' fees	157	153
Executive directors' remuneration	383	389
TOTAL	**540**	**542**

NON-EXECUTIVE DIRECTORS' FEES	2019 £000	2018 £000
Jeremy Cross (Chairman)	35	34
Rob Clifford	26	25
Alison Chmiel	25	25
Robert Hartley	23	22
Nick Baxter	23	22
Colin Bradley	25	25
TOTAL	**157**	**153**

2019 EXECUTIVE DIRECTORS	Salary £000	Salary in lieu of pension £000	Annual Bonus £000	Deferred Bonus £000	Benefit £000	Pension £000	TOTAL £000
Gev Lynott (CEO)[1]	162	8	11	11	20	-	212
Paul Wheeler (DCEO)[2]	113	-	8	8	15	27	171
TOTAL	**275**	**8**	**19**	**19**	**35**	**27**	**383**

2018 EXECUTIVE DIRECTORS	Salary £000	Salary in lieu of pension £000	Annual Bonus £000	Deferred Bonus £000	Benefit £000	Pension £000	TOTAL £000
Gev Lynott (CEO)[1]	157	5	17	17	18	-	214
Paul Wheeler (DCEO)[2]	110	-	12	12	15	26	175
TOTAL	**267**	**5**	**29**	**29**	**33**	**26**	**389**

The highest paid Director in the Society is Gev Lynott (CEO).

(1) Gev Lynott has received 5% additional salary in lieu of pension contributions from June 2018.

(2) 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
3 March 2020

Head Office

Regent House, Regent Street,
Mansfield, Nottinghamshire
NG18 1SS
t: 01623 676300
e: enquiries@mansfieldbs.co.uk
w: mansfieldbs.co.uk

Branches

Mansfield

Regent House, Regent Street,
Mansfield, Nottinghamshire
NG18 1SS
t: 01623 676350

Sutton-in-Ashfield

22-26 Low Street,
Sutton-in-Ashfield, Nottinghamshire
NG17 1DG
t: 01623 554265

Kirkby-in-Ashfield

48 Station Street,
Kirkby-in-Ashfield, Nottinghamshire
NG17 7AS
t: 01623 756601

Chesterfield

91 New Square,
Chesterfield, Derbyshire
S40 1AH
t: 01246 202055

mansfieldbs.co.uk

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