Spring 2021

Summary Financial Statement

For the year ended 31 December 2020

MANSFIELD
BUILDING SOCIETY

For you | With you | Always

SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

THE DIRECTORS ARE PLEASED TO PRESENT THEIR SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020.

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 26 March 2021 and on our website as soon as practicable after the 2021 AGM.

CHIEF EXECUTIVE'S REVIEW
INTRODUCTION FROM OUR NEW CEO

I am delighted and honoured to have taken the role of Chief Executive Officer (CEO) in April 2020 and I couldn't have asked for a more challenging first year. I am extremely proud of what the whole team at the Society have achieved, as it was the toughest and most difficult year that most of us will have experienced.

This time last year, we were looking forward to our 150th Anniversary but no-one could have predicted how 2020 would eventually play out. The Covid-19 pandemic has sadly affected thousands of people directly and indirectly and our focus throughout the year was to look after our members and colleagues.

We managed to sustain all of our operations and although our service levels have suffered at times, we were able to keep all of our branches open, continue to process mortgage applications and assist all those members who wanted to apply for payment deferments on their mortgages.

Our branch teams checked in on our most vulnerable customers by telephone and sent out support packages to the most in need and our mortgage team, supported by their colleagues from elsewhere in the Society, ensured that we were able to help everyone that enquired about their mortgage payments during the pandemic. We made it our objective to speak to as many of these members as possible to offer a personal helping hand.

PROFIT LEVELS

The Society has had a strong year considering the circumstances and I am pleased to be able to report profit after tax of £1.46m (2019: £1.89m). The mortgage book growth of 2.94% (2019: 4.01%) was also very pleasing. Although our mortgage lending in the year was impacted by the national lockdown and the general processing backlog in the market, our retention performance was very strong as members chose to stay with the Society.

BANK RATE REDUCTIONS

The pandemic also led to an immediate reaction from the Bank of England to try to contain the economic impact resulting in the Bank Rate reducing from 0.75% to 0.10% over the course of a number of weeks. The Society responded to the reductions in bank rate in a balanced manner by reducing its savings rates to counter a reduction in its Standard Variable Rate (SVR) and lower earnings from the Society's liquid assets. A prolonged period of low interest rates will be unwelcome news for savers however the Society intends to continue offering a competitive range of products and services to borrowing and savings members.

COVID RESPONSE

The Board made a decision at the outset of the Covid-19 pandemic that the key objectives for the Society were to protect our members, our colleagues and our assets. The Society was able to reap the benefit of the recent IT investment in infrastructure to convert our Head Office colleagues to home workers and with the purchase of plastic screens, hand sanitiser, masks and other PPE, we were able to keep our branches open in a safe manner for colleagues and members alike. We also made temporary changes to our lending policy to reduce credit risk and control the levels of business in an unexpectedly busy mortgage market.

Our Head Office was made Covid secure in a short space of time, however throughout the majority of 2020, there has only been a skeleton colleague presence on site due to the various lockdown restrictions. We therefore took the opportunity to perform much needed maintenance work on the building.

During the first lockdown period it became clear that a number of our borrowers needed help to overcome interruptions to their usual income. In line with FCA instructions, we provided payment deferrals of three or six months to those in need and we agreed deferrals for more than 600 of our mortgage members during the year, about 18.8% of our borrowers. Giving advice and help and ensuring that the best solution is found for each member is a time-consuming business and we were keen to ensure that we spoke to as many of our members that needed support as possible.

Our mortgage service colleagues, backed up by support from elsewhere in the Society, did an excellent job in providing this service at short notice and it is pleasing to see that a significant majority of the borrowers who took deferrals were able to resume their payments after their deferral period without the need for further forbearance measures. In almost all cases, our borrowers chose to capitalise their deferred interest payments.

Our financial strength, and the fact that we remained open as a key service during the lockdown, means that we did not need to access any government help or the Furlough Scheme.

Paul Wheeler
Chief Executive
25 February 2021

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

BUSINESS REVIEW

This has been a solid year for the Society in a climate of significant uncertainty. The start of the year was still overshadowed by the long running negotiations around the future of the UK in the European Union, but the election of a government with a strong majority had a settling effect and the housing market was faring better than it had for much of 2019. Off the back of this, the Society completed a healthy level of mortgage business in the first 3 months of the year. By the middle of March, however, the Covid-19 pandemic took hold and was soon followed by a national lockdown, which included a shut down in the mortgage market. In terms of mortgage strategy, the Board took a cautious approach and reduced the credit risk of our lending, whilst ensuring that existing borrowers were given strong renewal options. These measures, along with the temporary closure of the mortgage market led to a reduction in new business volumes over the year.

As the initial lockdown ended, the government introduced a Stamp Duty holiday for property purchases up to £500k and this had a dramatic effect on property demand taking the market from a near standstill to record levels in a short space of time. Industry backlogs which had already been caused by the lockdown became longer and demand for services from solicitors, valuers, local authorities and the Land Registry outstripped supply. The Society has struck a careful balance with the mortgage business it has chosen to accept during this period, factoring in its desire to be cautious with its underwriting in such unusual times, and also its desire not to allow its pipeline to be so large that it could not process applications without unduly impacting service levels for prospective members and intermediaries.

Against this backdrop the Board is extremely pleased with the level of mortgage lending with Gross Advances of £71.9m (2019: £89.8m). The annual growth in the mortgage book was £9.9m (2019: £13m) and this growth took place despite significant tightening of underwriting, especially in the higher Loan To Value (LTV) segments of the market. At 31 December 2020, mortgage assets were £348.2m (2019: £338.0m).

Total Assets have only grown by £1.5m (2019: £25.9m) reflecting the slower growth in the mortgage book and a decrease in liquidity of £8.5m (2019 increase: £12.4m). This reduction in liquidity was a managed change, enabled by the long standing strategy the Society has had of creating a stable and diverse range of savings balances sourced from loyal members. 2021 will likely see further, carefully managed reductions in liquidity. Liquidity is held for the purpose of ensuring the Society can cover its liabilities when they fall due, however holding excess liquidity can constrain the Society's ability to generate returns. The amount of liquidity held is informed by robust stress tests and these will allow us to manage down any excess liquidity in the future.

Looking ahead to 2021, the demand for housing, driven by the Stamp Duty holiday, is likely to fall away when this holiday ends and the house price rises seen during this time could also see some downward pressure. Much will depend on how successful vaccination efforts are in enabling a return to some level of normality and also how carefully government interventions, such as the Stamp Duty holiday are unwound. We expect growth to continue to be subdued.

The Society has maintained its focus on building reserves through improved profitability. The exceptionally strong growth of the mortgage book during 2017 and 2018 resulted in strong profit levels in 2018 and 2019, and we had budgeted lower profit levels in 2020, even before the pandemic. The after tax profit of £1.46m (2019: £1.89m) is partly a function of this.

The Covid-19 crisis was also a factor in reducing the year's profits. £50k was spent on measures to enable home working and to make our branch and office space Covid secure. We also increased our impairment provision by £54k in anticipation of foreclosures which we expect to become necessary as we work through the after effects of the crisis.

We have taken the opportunity to revalue our properties in light of the fact that commercial real estate in town centre locations, which was already under pressure, has been further reduced by the effects of the crisis. £151k of impairments (2019: £12k) were made to Society properties.

The highly unusual landscape presented by the pandemic led the Bank of England to lower Bank Base Rate to an all-time low of 0.10%. The extent to which this lower rate was passed on to members had to balance the interests of both mortgage and savings members and with this in mind, SVR was lowered by 0.40%, while savings rates were lowered to ensure a balanced approach was taken. This can be seen in the resulting net interest margin of 1.86% (2019: 1.87%).

The Society continually reviews the savings rates that it is offering against the wider market and despite the low Bank Base Rate, we regularly appeared in Best Buy tables with our competitive savings products that were on offer during 2020. With mortgage growth subdued, we did not actively pursue new savings balances, but our sustained level of competitiveness nonetheless led to growth in total savings balances of £4.6m.

Another measure put in place during the crisis was the Bank of England's TFSME (Term Funding Scheme with additional incentives for SME's). The Society is participating in this scheme and has used the funds drawn so far to replace funding which had been taken under the Bank of England's earlier TFS scheme, effectively extending the duration of this source of funding for a further four years. As at 31 December 2020, we had drawn £26m from TFSME, and this will be helpful in protecting margins and thereby supporting the Society to continue lending in an environment where significant uncertainty remains.

Achieving a continued increase in mortgage income has enabled the Society to make further investment in strengthening the people and infrastructure 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 administration costs continues to be invested in developing the systems environment operated by the Society. This included, for example, new software to support the way in which we comply with anti-money-laundering legislation and a new portal for existing customers to renew their mortgage.

In order to support members who applied for payment deferrals and also in anticipation of the need to spend more time with members who may experience difficulties with repayment in 2021, we have increased the number of colleagues who provide this support. We have also continued investing in training and development of colleagues, community engagement and further strengthening of cyber security defences.

The management expenses ratio of 1.36% (2019: 1.27%) reflects this continued investment in the infrastructure of the Society and remains well positioned in peer group comparisons.

During 2020 we also invested in a new flagship branch, which we have opened in the Market Place in Mansfield. This is a fresh, modern facility in a prominent central location, which will give us

the opportunity to better serve our existing members and attract more local and loyal savings members over the longer term. A secondary effect of moving the branch to this location was also that it provided a cost effective way of creating more Head Office space, which has become needed following successive years of strong growth. Investments towards the end of the year included the commencement of work to refurbish the Head Office to enable best use of this space.

One of the key reasons for the Society being so successful over the last few years has been the performance of our colleagues. We have invested in our teams with both in house and external training over the last few years and were able to keep this going despite the pandemic, using web conferencing facilities. This has ensured that our colleagues continue to grow their skills and also that our teams are fully up to date on all necessary regulation to ensure our products and service are compliant.

This strong team were able to transition all our processes online when the pandemic began. Branch colleagues have kept our branches open throughout the lockdowns, providing customers with access to their savings when they needed them, and Head Office colleagues have largely worked from home. The additional pressures this has put on individuals has not been insignificant, and a wellbeing program was designed to ensure that our colleagues were appropriately supported and this continues to be important as we enter 2021 in lockdown.

During 2021, the management expenses ratio is expected to continue to increase as we make the necessary further investments to ensure we continue to meet both member and regulatory needs.

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 won the Mansfield & Ashfield 2020 'Business in the Community' award and were also runner up in the Mansfield & Ashfield 'Business of the Year' award. In the industry press, we were also Highly Commended in the Money Pages Personal Finance Awards in the 'Best Variable Rate Lender' category.

Members continue to appreciate our service and we have achieved an overall rating of over 4 stars out of 5 with independent financial services review platform Smart Money People. 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 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.

SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

KEY PERFORMANCE INDICATORS

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

SIGNIFICANT STATISTICS	2020	2019	2018	2017	2016
Total Assets £m[1]	435.2	433.7	407.8	368.1	328.8
New Mortgage Lending £m	71.9	89.8	94.0	93.7	63.8
Mortgage Assets growth	2.9%	4.0%	11.7%	12.2%	3.8%
Retail Share Balances net increase £m	4.6	28.9	20.8	15.8	20.7
Total Savings Balances net increase £m[2]	2.6	29.7	24.9	16.2	18.6
Management Expenses as a % mean Total Assets	1.36	1.27%	1.27%	1.22%	1.21%
Cost to Income Ratio	73.54%	68.21%	66.46%	67.88%	65.16%
Profit After Tax £m	1.46	1.89	1.75	1.55	1.57
Liquid Assets as a % of Shares and Borrowings[1]	20.97%	23.06%	21.23%	22.03%	22.41%
Mortgage Arrears on accounts >2 months in arrears £m	0.15	0.09	0.06	0.06	0.06
Gross Capital as a % of Shares and Borrowings	7.75%	7.38%	7.34%	7.64%	8.07%
Net Interest Margin as a % of Mean Assets	1.86%	1.87%	1.97%	1.78%	1.83%
Leverage Ratio as Tier 1 Capital as % of Total Assets	6.78%	6.45%	6.35%	6.41%	6.50%
Common Equity Tier 1 Capital as % Risk Weighted Assets	19.00%	19.68%	19.38%	20.01%	20.15%

(1) In 2016, 2017, 2018, 2019 and 2020 respectively the Society held cumulative drawdown balances of £31m, £15m, £4m, £0m 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 2016, 2017, 2018, 2019 and 2020 the repurchase agreements were for £23m, Nil, Nil, Nil and Nil which brings that funding on to the balance sheet and leaves £8m, £15m, £4m, £0m 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.

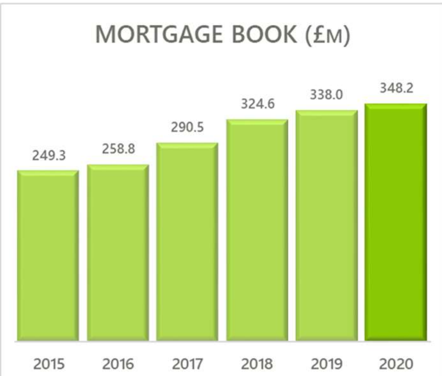
Various Key Performance Indicators are used to measure and monitor periodic progress and these are shown in the table above. They include performance measures, which are explained more fully below.

- Management expenses as a percentage of mean total assets measures the Society's efficiency. The Society has continued to invest in colleagues, 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 in line with the 2019 performance (4%). This lower growth was already expected to continue into 2020 and that was before the start of the Covid-19 crisis. Against this backdrop, the Board is therefore pleased to report a 2.94% growth in the mortgage book, driven by new lending of £71.9m.

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 £4.6m 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.

With the mortgage market seeing considerable disruption from Covid-19, we put additional focus on supporting existing members to ensure they had competitive rates to move to, once their initial product terms came to an end. Products were reviewed to make this possible, and additional time was spent contacting mortgage members. We also launched a new internet portal for mortgage members to make their product choice online where they wished to.

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.

As the Society continues to look for ways to help as many people as possible with their mortgage requirements, we lent funds to our first customers in Scotland during 2020, having launched this capability in 2019. We also launched specific products for members who let properties via a Limited Company and we entered a new market in conjunction with NEXA Finance Ltd to lend on small residential development projects.

Overall arrears levels have remained at very low levels, despite the economic backdrop. We supported 604 mortgage members by providing them with payment deferrals of three or six months under the government led scheme. Most of these returned to full payment and only 11 have required longer term support. As at 31 December 2020, 32 were still in their payment deferral period. The government Furlough Scheme has no doubt lessened what would have been a severe rise in unemployment and there has nonetheless been a rise in job losses across the UK. While we have not yet seen significant rises in arrears, we would expect to see these increase during 2021 as a result of the macroeconomic conditions. We believe the Society's robust underwriting approach will have significantly lessened the impact of any losses that arise. This is further supported by the very cautious approach the Society took to the LTV segments it lent in during the year, and the average LTV for the total loan book is down to 39.8% (2019: 41.5%).

As at 31 December 2020 there were four mortgages where repayments were 12 months or more in arrears (2019: one); the amount of those arrears being £18,287 (2019: £12,924) and the mortgage balances £342,490 (2019: £153,686). 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 evidence of impairment, an 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 and arrears cases, customers who have entered in to an IVA or bankruptcy, customers who have taken a payment deferral and any other customers where there is evidence of impairment, has resulted in an increase in the impairment allowance to £776,579 (2019: £723,329).

SAVINGS

Member savings balances increased by £4.6m (2019: £28.9m) through attracting funds into a diverse range of accounts including fixed term bonds, postal accounts, regular savings, and community deposits. The main focus of our product offerings in 2020 was to our local and loyal members rather than the wider market. Much of our effort during the pandemic was to ensure that we maintained a high level of service to our existing members which included launching a virtual account opening process for our local community.

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 £13.9m to £21.1m during the year and continue 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 near term rate rises are unlikely and that negative Bank Base Rates are being explored as an option. The Society has run scenarios where the Base Rate becomes negative and has ensured that it would be resilient in all plausible scenarios.

We constantly monitor the market to ensure our savings products remain competitively priced and ahead of average savings rates in the market.

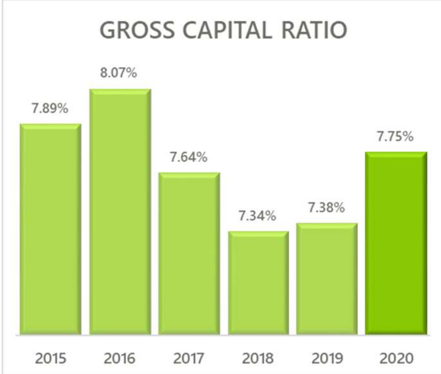
We continue to reserve our better savings rates for local and loyal customers and our Community Deposit Account (for local clubs, charities and associations) continues to provide a higher rate than other comparable deposit accounts. We also attract future savers through maintaining a competitive range 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 2020, gross capital, which is represented by reserves, amounted to £31.1m (2019: £29.7m), being 7.75% of total shares and borrowings (2019: 7.38%). Free capital, which comprises gross capital and the collective loan impairment allowance less tangible and intangible fixed assets, amounted to £29.3m (2019: £27.8m). The leverage ratio, which represents Tier 1 Capital as a % of Total Assets including post offer pipeline mortgages rose to 6.78% (2019: 6.45%). Common Tier 1 Capital as a % of Risk Weighted Assets (where assets have risk weightings applied using the standardised approach outlined in the Basel II framework) continued to be strong at 19.00% (2019: 19.68%). Good levels of post-tax profit have allowed the Society to maintain its strong capital position in 2020. Capital is also stress tested at least annually via the ICAAP process and this shows the Society has significant capital surpluses, sufficient to absorb losses in a range of severe but plausible stresses.



Successive years of strong performance have bolstered our capital reserves to levels which, members can be assured, 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.

Liquid assets in the form of cash in hand, deposits with credit institutions and debt securities stood at £84.3m representing 20.97% of shares and borrowings as at 31 December 2020. This compares with £92.8m and 23.06% reported at 31 December 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".

FUTURE DEVELOPMENTS

The Board reviews the Society's strategy each year and in 2020 the Board Planning Day focussed on the short and medium term impacts of Covid-19 and the expected economic recession that would follow as well as looking at how the long term requirements of our members and intermediary partners may change over the next 7 years. The Board also reviewed the expected market and technology change that will be inevitable during this period. A number of stress tests were run and different scenarios were modelled depending on the expected impact of the pandemic.

All of these scenarios showed a continued level of sustainable profitability and although 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, there was confidence in our ability to navigate these challenges.

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 2021. We have expanded our common sense lending on owner-occupied residential properties in Scotland during the year and expect this to continue to grow in the future.

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.

In 2021, we plan to enhance our online savings offering to give our members a choice of how they interact with us.

We will also be reviewing our mortgage application process and will be investing in our management information provision including upgrading the systems utilised to provide reporting to our regulators.

We will continue to 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 challenges and continue to deliver value to our members.

Given the intensification of market competition and the challenges of Covid-19, the Board was pleased with the growth of 2.94% in 2020 and expects strong growth in mortgages to be a challenge for the year ahead with the market likely to be impacted by the cessation of the Stamp Duty Relief and the impact to the economy of Covid-19.

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	Chair
Rob Clifford, CertPFS	Vice Chair and Senior Independent Director
Alison Chmiel, FCMA	
Colin Bradley, ACA, ACIB	
Nick Baxter, DipM, DipMan (Open)	
Robert Hartley	(retired 31.8.20)
Lucy McClements FCCA	(appointed 30.7.20)

EXECUTIVE DIRECTORS	
Gev Lynott, FCCA, FCIB	Chief Executive (retired 30.4.20)
Paul Wheeler, ACA	Chief Executive (appointed 30.4.20)
Daniel Jones, FCA	Finance Director (appointed 30.4.20)

All directors stand for election or re-election in accordance with Rule 26 (retirement by rotation).

At 31 December 2020 no director held any interest in the shares or debentures of any connected undertaking.

Paul Wheeler held the position of Deputy Chief Executive, Finance Director and Secretary until his appointment as Chief Executive on 30 April 2020.

On behalf of the Board of Directors

Jeremy Cross
Board Chair
25 February 2021

SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS FOR THE YEAR	2020 £'000	2019 £'000
Net Interest Receivable	8,061	7,877
Other Income and Charges	(26)	(16)
Administrative Expenses	(5,904)	(5,363)
Impairment Provisions	(205)	(28)
Other Provisions	(63)	(130)
Profit for the year before taxation	1,863	2,340
Taxation	(402)	(447)
Profit for the year	**1,461**	1,893

FINANCIAL POSITION AT END OF YEAR		
ASSETS		
Liquid Assets	84,309	92,812
Mortgages	348,209	337,958
Derivative Financial Instruments	-	21
Fixed and Other Assets	2,677	2,919
Total Assets	**435,195**	433,710
LIABILITIES		
Shares	319,127	314,510
Borrowings	82,853	87,910
Derivative Financial Instruments	834	411
Other Liabilities	1,233	1,192
Reserves	31,148	29,687
Total Liabilities	**435,195**	433,710

SUMMARY OF KEY FINANCIAL RATIOS	2020 %	2019 %
Gross Capital as a % of Shares and Borrowings	7.75	7.38
Liquid Assets as a % of Shares and Borrowings	20.97	23.06
Profit for the year as a % of mean Total Assets	0.34	0.45
Management Expenses as a % of mean Total Assets	1.36	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 colleagues 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 25 February 2021 and signed on its behalf by:

Jeremy Cross
Board Chair

Daniel Jones
Finance Director

Paul Wheeler
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 statements of Mansfield Building Society ('the Society') for the year ended 31 December 2020, which comprises the Results for the year and of the Financial Position at the end of the year, together with the Summary Directors' report.

On the basis of the work performed, as described below, in our opinion the summary financial statements is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020 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 statements consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statements to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020, including consideration of whether, in our opinion, the information in the summary financial statements 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 statements 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 2020.

We also read the other information contained in the Annual Members' Review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

Our report on the Society's full annual accounts is unmodified and 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 statements 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 statements within the Annual Members' Review with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

THE PURPOSE OF OUR WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Ariel Grosberg (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
London

25 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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 2020 was:

Robert Hartley - Retired as Chair 31.8.20
Nick Baxter - Appointed as Chair 31.8.20
Jeremy Cross
Alison Chmiel - Appointed 30.7.20

Meetings of the Committee are also attended by Paul Wheeler, Daniel Jones, Jill Watson 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 solid performance in difficult circumstances during 2020, the two executive directors have earned 10% 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 colleagues. The rate of contribution from the Society differs between the executive directors and other colleagues 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 colleagues and the Board is currently satisfied that the total packages are set at a level which allows the

Society to attract high quality colleagues 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 2020.

SERVICE CONTRACTS

The Chief Executive has a service contract with the Society dated 30 April 2020. The Chief Executive's notice period to the Society is 6 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 Finance Director has a service contract dated 5 November 2019. The Finance Director's notice period to the Society is 6 months. The Society's notice period to the Finance Director 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 Board Chair. The remuneration of the Board Chair is reviewed by the Remuneration Committee and ratified by the Board and is informed by a performance review conducted by the Senior Independent Director.

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 2020 are shown below:

	2020 £000	2019 £000
Non-executive directors' fees	165	157
Executive directors' remuneration	416	383
TOTAL	**581**	540
NON-EXECUTIVE DIRECTORS' FEES		
Jeremy Cross (Chairman)	35	35
Rob Clifford	26	26
Alison Chmiel	26	25
Robert Hartley (retired 31.8.20)	16	23
Lucy McClements (appointed 30.7.20)	12	-
Nick Baxter	24	23
Colin Bradley	26	25
TOTAL	**165**	157

SUMMARY DIRECTORS' REMUNERATION REPORT

2020 EXECUTIVE DIRECTORS	Salary £000	Salary in lieu of pension £000	Annual Bonus £000	Deferred Bonus £000	Benefit £000	Pension £000	TOTAL £000
Gev Lynott (Outgoing CEO)[1]	54	3	-	-	7	-	**64**
Paul Wheeler (Incoming CEO)[2]	138	-	8	8	17	33	**204**
Daniel Jones(FD)[3]	107	-	6	6	13	16	**148**
TOTAL	**299**	**3**	**14**	**14**	**37**	**49**	**416**

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

The highest paid Director in the Society is Paul Wheeler (CEO). Gev Lynott retired on 30.4.20 and on the same date Paul Wheeler was appointed CEO and Daniel Jones was appointed as Finance Director.

(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.
(3) Daniel Jones has chosen to salary sacrifice his pension contributions thus reducing his salary and increasing his pension benefit

On behalf of the Board of Directors

Nick Baxter
Chair of the Remuneration Committee
25 February 2021

HEAD OFFICE:

Regent House, Regent Street

Mansfield, Nottinghamshire

NG18 1SS

t: 01623 676300

e: enquiries@mansfieldbs.co.uk

w: mansfieldbs.co.uk

BRANCHES:

MANSFIELD

25 Market Place,

Mansfield, Nottinghamshire

NG18 1JA

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

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