MANSFIELD
BUILDING SOCIETY

For you | With you | Always

Summary Financial **Statement**

For the year ended
31 December 2023

THE DIRECTORS ARE PLEASED TO PRESENT THEIR SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023.

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 18 March 2024 and on our website as soon as practicable prior to the 2024 AGM.

STATEMENT FROM THE BOARD CHAIR

2023 saw a record number of new Members joining the Society. Member numbers increased by over 800 and the amounts invested in our savings products rose from £367.1m to £429.1m. I believe we have something special here at the Mansfield Building Society, with our business model that has no shareholders and is rooted in our local communities. I hope that both new and existing members feel the same. We certainly aim to continue to prove that this is the case by offering competitive savings rates, mortgage lending that meets underserved needs, efficient customer service with a human touch, and giving back to our communities through our colleagues' time as well as charitable donations.

2023 was a turbulent year for the housing market with mortgage approvals and housing transactions at their lowest for over a decade. The Bank of England continued to focus its attention on tackling heightened consumer price inflation and increased its Base Rate to the highest level since 2008. Despite this, inflation proved stubbornly high throughout most of the year. Our members, along with the wider UK population, have therefore experienced one of the worst cost-of-living squeezes in a generation, with the price of day-to-day goods rising faster than wages, and our borrowing members seeing increased costs from paying higher mortgage interest as well.

We have been delighted to be able to offer much higher rates of interest to our saving Members this year, but finding the right balance has been key as we continue to ensure we can offer competitive rates to savers without unduly burdening our mortgage customers with higher interest payments. Our mutual business model, where our membership comprises both saving and mortgage customers, positions us well to be able to find this balance, and I believe we achieved this in 2023. Certainly, I am pleased to see that levels of arrears have remained low.

Against this backdrop, I am very happy that the Society is reporting such positive results in its 2023 Report and Accounts. Both mortgage and savings balances have grown, and profit is strong. This profitability is important to our long-term strategy to provide homes for people and their savings long into the future. This will involve investment in our technology transformation initiative, Project Sherwood, which commenced in 2023, and which will see us invest these recent profits in improved customer experience for Members over the next two to three years.

We aim to put customers at the heart of what we do, and work carried out in 2023 to ensure compliance with the FCA's new Consumer Duty was a key focus. When the Government announced its new Mortgage Charter, the Society was able to sign up to this with very few changes to its procedures, which reflects well on the already high standards we hold in this arena. It is especially important to us during this cost-of-living crisis that we provide the appropriate support to any of our customers experiencing financial difficulty, and we will continue to do so.

The signing of this year's Annual Report and Accounts represents a significant milestone for Colin Bradley's time with the Society. Having become Chair of Audit and Compliance Committee when he joined us in May 2015, he has overseen the last 9 sets of Annual Reports and has been integral in the ever-stronger governance and control with which the Society has been managed during that time. Having previously spent over 25 years at another local Building Society, Colin's retirement from the Board also marks the end of a long and successful career in the sector. I would like to extend my heartfelt thanks to him for his dedication and commitment to our Society and the mutual sector as a whole. Succession plans are already in place for his role.

As I look to the future, I am extremely encouraged by the strong financial position of the Society and what it has achieved in 2023. While the economic backdrop continues to be unsettled, I have confidence in the Society's ability to execute on its strategy. I would like to take this opportunity to thank all our Members for their custom, and our colleagues for their hard work across 2023 and in to 2024.

Alison Chmiel
Alison Chmiel (Mar 7, 2024 10:41 GMT)

Alison Chmiel
Board Chair
7 March 2024

CHIEF EXECUTIVE'S REVIEW

2023 has been another year of economic challenges with interest rates continuing to rise, a stubborn rate of inflation that has slowly started to reduce and a housing market that has shrunk due to the challenges of affordability for customers taking out mortgages. These challenges, coupled with an extremely active savings market, where customers can now get meaningful returns on their savings, has led to a very busy year for my colleagues at the Society, reacting to market changes and customer demand.

Balancing the needs of savers, borrowers, and our people simultaneously has been a key priority and I'm extremely proud that the Society not only successfully navigated through these challenges, but did so with strong mortgage lending, strong financial performance, and we also continued to invest in enhancing our services to customers and Members. My colleagues have worked exceptionally hard to provide you, our Members, with the level of care and attention you expect and deserve and I would like to thank each of them for this dedication.

We have focussed much of our project resources on gathering requirments and documenting our existing processes in preparation for our major systems IT transformation. We are calling this Project Sherwood and over the next two years, we will be investing significant time and effort into delivering systems that are fit for the future and provide our Members and broker partners with the ease of digital access that they deserve. This investment started in 2023 with the use of third parties to support the preparation work and will continue to gather pace as we go into the New Year.

BUSINESS PERFORMANCE

Despite the economic turmoil, I'm pleased to report that the Society continues to grow with mortgage lending of £110m leading to 5.4% growth in mortgage assets and operating profit of £2.47m.

The Society's mortgage lending proposition is based on the provision of a competitive range of fixed and discounted mortgages, mainly for owner occupiers but also for Buy to Let landlords and a small tranche of development finance. The Society's purpose is *'Providing homes for people and their savings'* and our lending is therefore to private homeowners, those providing homes as rental properties or small developers who are building new homes. In recent years we have developed our capabilities to allow lending where appropriate returns for risk can be made, and this has led to an increasing number of self-build mortgages as well as supporting first time buyers with shared ownership properties and parental guarantee mortgages. 2023 has also seen the launch of our range of Credit Repair products to assist those that have struggled during these difficult economic times to continue with home ownership. We also believe that it is important as a mutual, to offer products to people at all stages of life and therefore we continue to offer mortgages to people with credible repayment plans who require interest only mortgages and to those seeking mortgages beyond normal retirement dates.

We started the financial year with a very strong pipeline as the economic shock created by the governmental changes in 2022 led to a surge in variable rate mortgages, an area that we are strong in, and therefore we carried a high number of completions into the first quarter of 2023. However, the mortgage market took a downturn during 2023 with higher interest rates leading to affordability being a major issue for borrowers and we chose to tighten our criteria to ensure positive outcomes for both our borrowers and the Society in the long term. Our lending volumes during 2023 were therefore reduced against 2022 being £109.7m (2022: £120.7m); however, a strong performance retaining existing borrowers coming to the end of a deal has led to mortgage book growth of 5.4% (2022: 9.6%).

Despite the challenges of the economy and the very real squeeze on household budgets, our arrears levels have remained low and whilst we have seen an increase in early arrears during the year, many of these customers are managing to get back on track quickly with support from our Collections Team. The number of cases two months or more in arrears has increased slowly from 55 to 64 year on year with the value in arrears rising from £255k to £444k on mortgage balances of £6.59m (2022: £4.9m). With a book of nearly £420m, this remains a very small portion of the lending and gives us a good base from which we will be able to manage any future rises in arrears that can be expected as borrowers come to the end of low interest deals during 2024. To date, it is comforting that borrowers have been collectively able to withstand recent stresses created by the wider economy and whilst we had only two repossessions during the year, we continue to be prepared for a rise in arrears next year.

Our book has the benefit of being underwritten against a prudent lending policy and we have a low average loan to value of 41.4%, which will give us significant headroom if house prices continue with their downturn as some economists are forecasting.

In summary, 2023 has been a year of strong growth in a challenging market, and one in which we have not seen the adverse mortgage arrears which might be expected in such an uncertain economy. What I'm most proud of, is that these successes have been achieved by colleagues who continue to operate with a positive attitude and a desire to do their best for our broker and borrowing customers. There have been times during the year when the Society has been under pressure to handle large volumes and whilst our processing speed continues to be something we are working to improve, we have talented, hard-working colleagues who care about their work and who go the extra mile to help our customers. This positive culture was once again highlighted by the fact that we maintained our 2-star accreditation in the Best Companies awards as being a great place to work and continued to attract excellent talent to the Society during the year.

While we continue to grow, it's important that we harness our success to develop our services for our Members, to help and support our local community, and to operate in a way that demonstrates the real benefits of being a modern building society.

After updating our online savings platform with new functionality last year, we had a significant test of the capabilities of the system and processes when we had a market leading savings product in January of 2023. The media attention was a key driver of volumes that were larger than expected. We identified a number of teething problems with the new processes and set in motion a Savings Process Review to allow us to handle high volumes in the future within service standards expected. This review is ongoing but has already delivered a number of changes that have led to many 5* reviews from customers in the last few months of 2023 when we had further market leading products and high account opening volumes.

2023 has seen a significant change in the savings market with the rise in interest rates making cash savings more attractive again and as a result we have seen competition for savings increase. Media attention on this market has increased and has driven many savers to move their savings to alternative providers. As a mutual building society, we are always keen to ensure that our savers are receiving competitive rates and we passed on a significant proportion of the Bank of England Base Rate increases to them as well as providing very competitive products throughout 2023 with many of our Fixed Rate Bonds and notice accounts achieving best buy status.

These excellent rates have driven a net increase of over 800 new savings customers and we expect this to continue as we have launched our new products into the business and community markets in the last quarter of 2023. Our personal approach to saving for these organisations will allow us to stand out in a crowded market.

The Society's strategy is to ensure that we continue to evolve into the Modern Mutual that our Members need and demand. We will continue to support underserved populations in the financial services market in both our mortgage and savings product offerings and will develop our technology to ensure that our customers receive a choice in how they interact with the Society, whilst maintaining our high standards of customer service and our human interaction.

Over the next 2-3 years the Society will be embarking on a significant investment in technology that will transform our digital offering and provide a more efficient service to our Members, in a way that supplements our existing branch network. This program has made good progress in 2023, having completed the understanding of our processes, customer journeys and future requirements for both processes and technology. We are now in the process of evaluating systems to deliver those requirements.

Paul Wheeler
Paul Wheeler (Mar 7, 2024 10:15 GMT)

Paul Wheeler
Chief Executive
7 March 2024

FINANCIAL REVIEW

RESULTS FOR THE YEAR	2023 £000	2022 £000
Net Interest Income	13,249	10,552
Other Income and Charges	(791)	54
Recurring Administrative Expenses	(9,056)	(7,708)
Non-recurring Administrative Expenses	(928)	-
Impairment Provisions	(83)	(360)
Other Provisions	22	(192)
Profit before Tax	2,413	2,346
Tax Expense	(598)	(444)
Profit for the Year	**1,815**	1,902

FINANCIAL POSITION AT END OF YEAR		
ASSETS		
Liquid Assets	102,065	83,770
Mortgages	418,940	395,006
Derivative Financial Instruments	1,578	3,622
Fixed and Other Assets	2,796	2,701
Total Assets	**525,379**	485,099
LIABILITIES		
Shares	396,342	335,334
Borrowings	88,925	112,160
Derivative Financial Instruments	1,091	380
Other Liabilities	1,842	1,861
Reserves	37,179	35,364
Total Liabilities	**525,379**	485,099

SUMMARY OF KEY FINANCIAL RATIOS	2023 %	2022 %
Gross Capital as a % of Shares and Borrowings	7.66	7.90
Liquid Assets as a % of Shares and Borrowings	21.03	18.72
Profit for the Year as a % of mean Total Assets	0.36	0.41
Management Expenses as a % of mean Total Assets	1.98	1.64

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 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 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. The management expenses included in this calculation also include non-recurring items relating to the Society's digital transformation project. Expenses need to be controlled to enable the Society to operate as efficiently as possible whilst providing the service that members require.

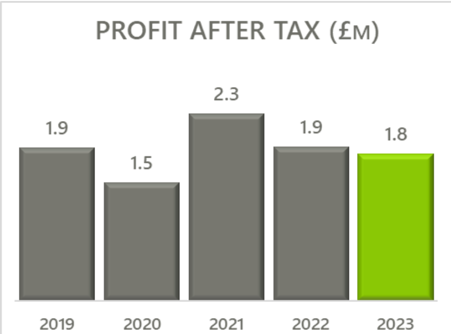
BUSINESS MODEL

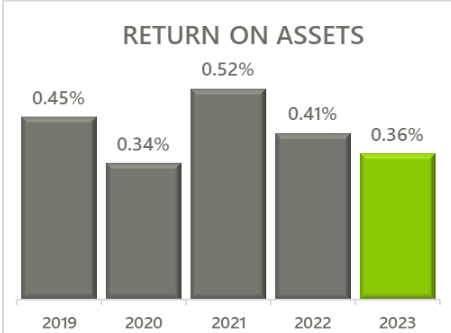
As a mutual the Society exists for the common benefit of its borrowing and savings Members, who are collectively its owners. Members' interests remain at the heart of everything that we do and the Board continues to balance and serve those interests through operating in markets that deliver a sustainable financial performance within an agreed appetite for risk, whilst supporting the continued need to invest in the business for the benefit of future Members.

The Society's principal activity is the provision of a range of long-term residential mortgages so that borrowing Members can buy a home funded by personal savings from Members through straightforward savings products.

SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

PROFITABILITY





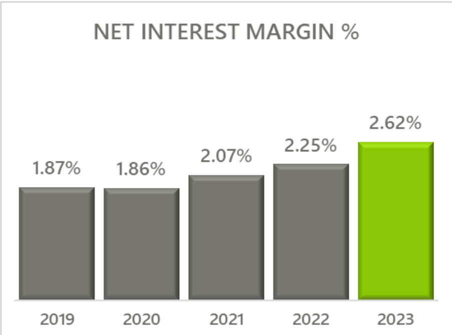
The Society has delivered strong financial performance in the year, recording a profit after tax of £1.82m (2022: £1.9m) and a return on assets of 0.36%. This was a better result than budgeted, supported by strong growth in the mortgage book. The underlying performance was better year on year (see below), driven by higher net interest margin. This additional margin was used to start the Society's digital transformation (Project Sherwood), which sets out to deliver much improved customer experience for Members in the future. After taking these Project Sherwood costs into account, the net profitability was similar to, but slightly lower than the prior year.

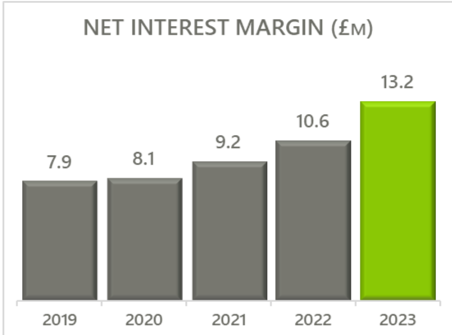
UNDERLYING PROFITABILITY

The Society began its Digital Transformation journey (Project Sherwood) in 2023, and to enable Members to better understand financial performance over the coming years as we execute this, we will be presenting a measure of Underlying Profit Before Tax, which is stated before netting off the non-recurring costs related to this transformation. The below table shows this underlying profit and how it compares to overall profit before tax.

	2023 £000	2022 £000
Net Interest Income	13,249	10,552
Fees, Commissions & Other Income	(791)	54
Total Underlying Income	**12,458**	10,606
Underlying Administrative Expenses	(8,776)	(7,407)
Underlying Depreciation & Amortisation	(280)	(301)
Underlying Operating Profit before Impairment & Other Provisions	**3,402**	2,898
Impairment Provisions on Loans and Advances, Properties & Other Provisions	(61)	(552)
Underlying Profit before Tax	**3,341**	2,346
Non-Recurring Administrative Costs	(928)	-
Profit before Tax recorded in the Income Statement	**2,413**	2,346

NET INTEREST MARGIN



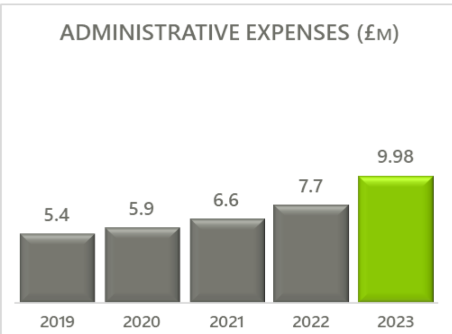


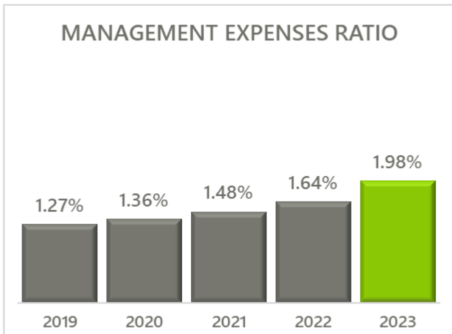
Net Interest Margin is primarily the interest income from the mortgage and liquidity portfolios, minus the interest payable on the savings portfolio and treasury funding. During the recent period where Bank Base Rate and other market rates have moved higher so rapidly, it has also been bolstered by the income on interest rates swaps which are used to hedge against interest rate risk. The net margin is divided by mean Total Assets across the year to calculate the margin percentage.

The Society continues to maintain a very healthy margin from which it is able to cover administrative costs, any credit losses and any increases it needs to make in its provisions. In its management of net interest margin, the Society seeks to maintain a strong margin, by maintaining a diversified mix of mortgage types which include niches that command a higher interest rate. It does this, while also ensuring that it pays a competitive rate of interest to its savings customers.

This diversification in lending continued during 2023, for instance with year-on-year growth in the segments of Buy to Let where the landlord operates via a limited company and Development Finance. Prime Owner-Occupied Residential mortgages remain by far the largest portion of the mortgage book, but these niche segments help to maintain a strong margin.

ADMINISTRATIVE EXPENSES (INCLUDING DEPRECIATION)



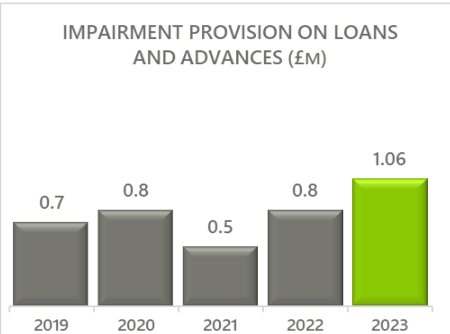


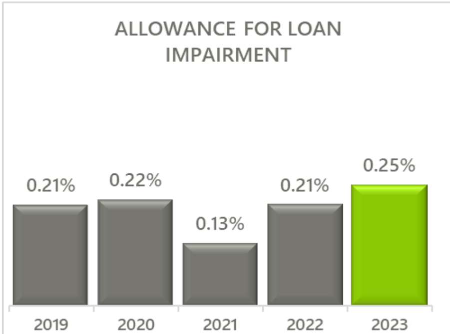
In 2023, Administrative Expenses include £928k of non-recurring items relating to the Society's digital transformation. Aside from this, the underlying administrative expenses also continued to rise in 2023. Price inflation in the UK economy was a key part of this. The Bank of England sets monetary policy to achieve the Government's target of keeping inflation at 2%, but global events left inflation running significantly higher than this. CPI peaked at 11.1% in the 12 months to October 2022, and although it dropped during 2023, it remained well above targeted levels, and many contracts renewing in 2023 still had to reflect inflationary rises seen across 2022. As a result, most existing contracts have become more expensive during the course of the year, though we have been strong in our negotiations to mitigate this wherever possible.

Price inflation has flowed through to salary inflation as well. ONS reported the rate of annual pay growth for total pay was 6.5% and for regular pay was 6.6% in September to November 2023. The Society seeks to remunerate its colleagues fairly and uses benchmarking to inform this. Its rate of pay growth has been similar to the UK average.

As well as these inflationary effects, the requirements from regulation continue to grow. These regulations seek to further strengthen the resilience of the financial sector and protect its consumers, all of which is positive, but it does drive cost into the business. In the last year, work was carried out on new requirements for Consumer Duty, Third-Party Management, and Regulatory Reporting. We seek to comply with the requirements in a proportionate and efficient way, but over time, they are certainly a factor in the ongoing increases to the Society's headcount.

IMPAIRMENT PROVISIONS ON LOANS AND ADVANCES





Allowance for Loan Impairment is shown as a percentage of the total mortgage book

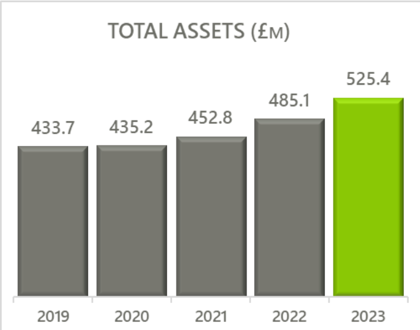
Also referred to as the 'Bad Debt Provision', the Society is required to account for the losses that arise if borrowers are unable to repay, and the Society is not able to recover the funds via either forbearance or repossession. The Society conducted two repossessions in 2023, but made no losses on either. Therefore, the full £223k charge to the Profit & Loss Account is driven by increasing the provision held on the balance sheet for the eventuality of such losses that may arise in the future. This provision stood at £1,059k at 31 December 2023 (2022: £836k). The level of arrears on the book remains low with the number of cases 12 months or more in arrears totalling 17, comprising arrears of £219k on mortgage balances of £1,600k.

We account for provisions under FRS102, which is a so-called 'incurred loss' model, and so requires evidence of potential loss behind the provision. We make a specific provision for accounts where there are conditions at the balance sheet date that indicate potential impairment, such as arrears on the account or forbearances in place. This year, we have also included a provision for any customer who requested an interest only period as part of the Government's Mortgage Charter. We make a further collective provision for the remainder of the mortgage book on the basis of industry data to inform what a typical loss rate might be for our mortgages, which is also further informed by obtaining credit bureau data for each mortgage.

The calculation of the loss amount for any loan which is provided against is informed by applying a forced sale discount assumption, where we assume that the amount that can be recovered from the sale of a property in repossession may not be the value that an owner would obtain in the normal course of events.

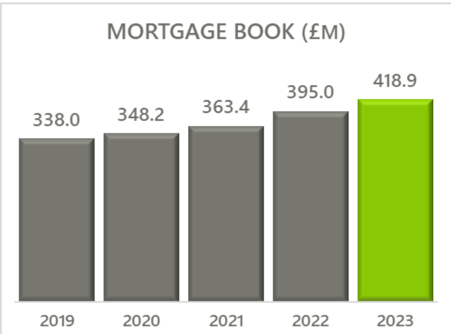
SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

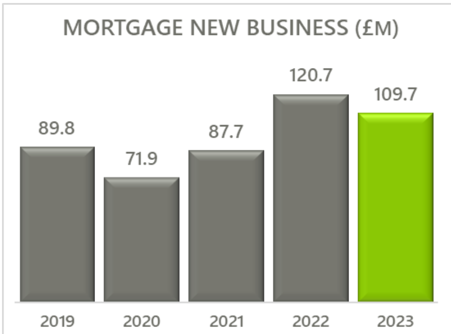
TOTAL ASSETS



Total assets increased by £40.3m to £525.4m (2022: £485.1m) during the course of 2023. This was the result of increases in the mortgage book, which grew by £23.9m to £418.9m (2022: £395.0m). Cash and cash equivalents (see note 10), which would normally be expected to increase proportionately with the overall size of the balance sheet, increased by £18.7m to £92.8m (2022: £74.1m), as the Society began to raise funding from savers ahead of replacing the funding it has from Bank of England Term Funding Scheme (TFSME).

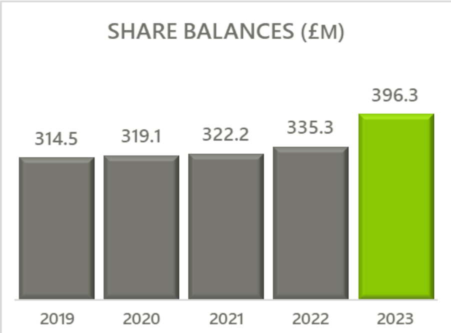
MORTGAGES

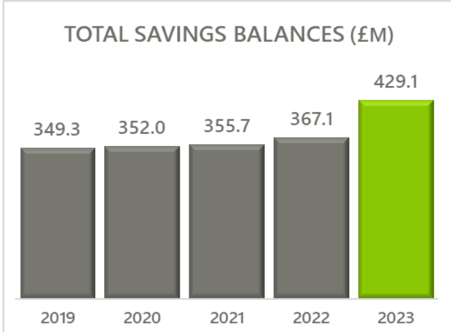




It was another successful year for new mortgage business, with strong consumer demand for our products, despite a broader market in which mortgage volumes dropped significantly. Mortgage completions dropped by £11.0m to £109.7m from the record level of £120.7m we had in 2022. They remained above the levels seen in 2019 to 2021 and these strong levels would not have been possible without the investments made in recent years in the mortgage process review.

FUNDING



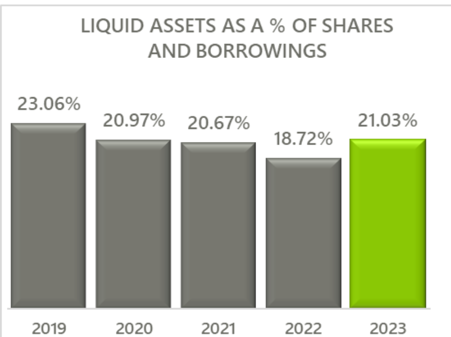


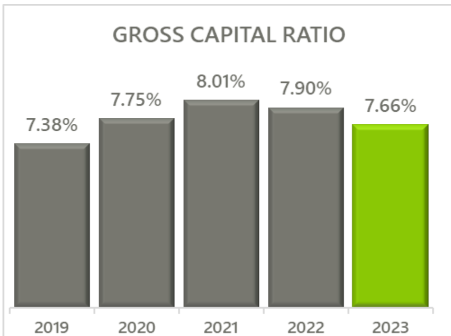
Savings make up the largest source of funding for the Society and most savings balances are held by Members of the Society. These comprise a diversified mixture of products, including notice accounts and fixed term bonds, ISAs, regular saver products and those with easy access. As at 31 December 2023, these Member balances were £396.3m (2022: £335.3m) and rose £61.0m during the year. Some savings, where the saver is not a formal Member of the Society, include business and SIPP balances and those held by community organisations. In total savings balances rose by £62.0m to £429.1m (2022: £367.1m) during the year.

The Society also accesses funding from other credit institutions, including the Bank of England. Amounts owed to credit institutions decreased by £18.5m to £52.8m (2022: £71.3m). The largest element of this funding is £50m (2022: £60m), which the Society has borrowed under the Bank of England TFSME Scheme. The remaining amounts largely comprise wholesale loans from financial institutions or local authorities, and £0.7m was also held as margin collateral on the interest rate swaps it has.

The Society's strategy for repaying TFSME involves settling the individual tranches ahead of their contractual repayment dates. Accordingly, the £10m repaid during 2023 was not due to mature until 2024. The remaining £50m of TFSME funding has maturity dates spread across 2024 and 2025, and the Society has a robust strategy for replacing this funding source. The Society also deliberately raised more funding from savers in 2023 than it needed to fund mortgage growth, in readiness for these repayments.

LIQUIDITY AND CAPITAL





The Society's Liquid Assets as a percentage of Shares and Borrowings increased over the course of 2023 from 18.72% to 21.03%. This was part of a managed strategy to be ready to repay TFSME funding.

We expect liquidity levels to be lower again in future as we make the TFSME repayments. The appropriate level of liquidity is determined by the Executive and approved by the Board via its Internal Liquidity Adequacy Assessment Process (ILAAP). This process assesses the liquidity and funding risks faced by the Society and chooses a level of liquidity that the Executive are targeted to maintain, and which provides the Society with enough liquid assets that it can withstand a severe stress and continue to cover its liabilities as they fall due. The mix of funding is an important consideration in this assessment. The Society has a well-diversified mix of funding sources, including access to the Bank of England's Sterling Monetary Framework, wholesale funding markets and a wide range of savings products and customer types.

At 31 December 2023, gross capital, which is represented by reserves, amounted to £37.2m (2022: £35.4m), being 7.66% of total shares and borrowings (2022: 7.90%). Free capital, which comprises gross capital and the collective loan impairment allowance less tangible and intangible fixed assets, amounted to £35.8m (2022: £33.9m). The leverage ratio, which represents Tier 1 Capital as a % of Total Assets including post offer pipeline mortgages was 6.56% (2022: 6.57%). 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 18.01% (2022: 18.27%). Good levels of post-tax profit have allowed the Society to maintain its strong capital position in 2023. Capital is also stress tested at least annually via the Internal Capital Adequacy Assessment Process (ICAAP) and this shows the Society has significant capital surpluses, over and above that which would be 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.

FUTURE DEVELOPMENTS

The Society is committed to managing its finances in such a way as to protect its capital strength, and ensure it has access to a diversified range of funding sources, that enable it to manage its liquidity risks appropriately, while also funding growth. Strong margins and growth in both mortgage and savings balances are needed over the long term to protect the Society's ability to offer competitive savings rates, while also enabling it to make investments that maintain its ability to attract mortgage and savings business and service customers in the fashion they would expect.

Protecting these abilities requires digital transformation and this will involve significant investment over the coming years. The Society started this process (Project Sherwood) in 2023, investing recent strong profits in this project. Over the coming two to three years, this project will continue, and we plan to use capital reserves to fund the remainder of the project. What this will mean in practice is that the Society will not expect to make significant profits during the course of the project, and could make losses. This does not mean the Executive and the Board will disregard the financial health of the Society, far from it, but it will instead focus on capital strength over the long term, executing a managed reduction in capital levels, which are currently well in excess of those needed, to fund investment, while ensuring that surpluses still exist to support future growth and resilience.

To give appropriate visibility of this investment, the Society has started reporting underlying profit before tax (page 7). This will enable the reader to see financial performance with and without the cost of this investment. Readers should note that as well as the investment itself, the work required is likely to impact short term growth rates, which have a knock-on effect to short term growth in income. Both factors are accounted for when providing the Board with forward looking plans for the Society's capital.

In assessing the likely forward view for the Society's finances, capital strength rather than year-on-year profits, will be of most importance. The Society has significant capital surplus, as assessed by its annual ICAAP process, and the Society's capital strength means it can afford a period of worse profit performance, caused by the Project Sherwood re-investment, without affecting its long-term viability. The Board have reviewed long term projections of the Society's capital position in assessing its strategy of Digital Transformation, and it will require the Executive to regularly refresh these as it progresses this piece of work.

DIRECTORS

Those named below were Directors of the Society during the year:

NON-EXECUTIVE DIRECTORS	
Alison Chmiel, FCMA	Chair
Nick Baxter, DipM, DipMAN (open)	Vice Chair and Senior Independent Director
Colin Bradley, ACA, ACIB	
Rachel Haworth, FCIM	
Lucy McClements, FCCA	
Keith McLeod, FCA	

EXECUTIVE DIRECTORS	
Paul Wheeler, ACA	Chief Executive
Daniel Jones, FCA	Finance Director and Secretary

All current Directors stand for election or re-election (unless they are retiring) in accordance with Rule 26 (retirement by rotation).

At 31 December 2023 no Director held any interest in the shares or debentures of any connected undertaking.

Approved by the Board of Directors on 7 March 2024 and signed on its behalf by:

Alison Chmiel
Alison Chmiel (Mar 7, 2024 10:41 GMT)

Alison Chmiel
Board Chair

Daniel G Jones
Daniel G Jones (Mar 7, 2024 10:11 GMT)

Daniel Jones
Finance Director

Paul Wheeler
Paul Wheeler (Mar 7, 2024 10:15 GMT)

Paul Wheeler
Chief Executive and Director

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS AND DEPOSITORS OF THE MANSFIELD BUILDING SOCIETY

We have examined the Summary Financial Statement of The Mansfield Building Society (the "Society") set out on pages 1 to 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors are responsible for preparing the Summary Financial Statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the Annual Report and Accounts, the Annual Business Statement and the Directors' Report and its conformity with the relevant 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 included in the Summary Financial Statement to the corresponding items within the Annual Report and Accounts, the Annual Business Statement and the Directors' Report of the Society for the year ended 31 December 2023 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 Annual Report and Accounts, the Annual Business Statement and Directors' Report of the Society for the 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 information has been omitted which although not specifically prescribed by section 76 of the Building Societies Act 1986 and regulations made under it, in our opinion, is necessary to ensure consistency with the Annual Report and Accounts, the Annual Business Statement and the Directors' Report of the Society for the year ended 31 December 2023.

Our report on the Society's Annual Report describes the basis of our opinion on those Annual Report and Accounts, the Annual Business Statement and the Directors' Report .

OPINION

In our opinion, the Summary Financial Statement is consistent with the Annual Report and Accounts, the Annual Business Statement and the Directors' Report of The Mansfield Building Society for the year ended 31 December 2023 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

USE OF THE STATEMENT

This statement is made solely to the Society's members as a body and the Society's depositors as a body in accordance with section 76(5) of the Building Societies Act 1986. Our audit 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 audit work, for this statement, or for the opinions we have formed.

Mazars LLP
Mazars LLP (Mar 7, 2024 12:13 GMT)

Mazars LLP
Statutory Auditor, 30 Old Bailey, London, EC4M 7AU
7 March 2024

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 met three times a year in 2023. The membership of the Committee during 2023 was:

Nick Baxter - Committee Chair until 08.11.23
Alison Chmiel
Rachel Haworth - Committee Chair with effect from 08.11.23

The makeup of the Committee complies with the Corporate Governance Code requirements for smaller organisations to have at least two members who are Independent Non-Executive Directors.

Meetings of the Committee were also attended by Paul Wheeler, Daniel Jones and Head of HR Vickie Preston, who withdrew from the meeting when their own remuneration was 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 remuneration of Executive Directors is reviewed annually by the Remuneration Committee, using data from other comparable building societies, and by a performance review process which, in the case of the Chief Executive, is undertaken by the Society's Board Chair. 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. The two Executive Directors have earned 12% of basic salary as reward under this scheme during 2023.

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 12% for the Chief Executive and 10% for the Finance Director. The pension contributions for all colleagues are regularly benchmarked against other organisations in the local area and in the building society sector as part of our review of the total package paid to all colleagues. The Board is currently satisfied that the total packages are set at a level which allows the Society to attract a high quality of colleague at all levels. In 2023, the Society introduced an improved pension contribution for employees which paid up to 8% from the Society. This reduced the gap between contributions made for Executives and other colleagues. The Society is committed to further reducing this gap over time and from March 2024 it will pay up to 9%.

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 2023.

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 six 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 six 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, although travel expenses are reimbursed. 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 2023 are shown below:

	2023 £000	2022 £000
Non-Executive Directors' fees	193	179
Executive Directors' remuneration	426	420
TOTAL	**619**	599
NON-EXECUTIVE DIRECTORS' FEES		
Alison Chmiel	40	37
Jeremy Cross (resigned 27.04.22)	-	9
Rob Clifford (resigned 27.01.22)	-	2
Colin Bradley	31	27
Nick Baxter	33	27
Lucy McClements	27	25
Keith McLeod	33	27
Rachel Haworth	29	25
TOTAL	**193**	179

In 2023, fees include an allowance for travel and expenses.

2023 EXECUTIVE DIRECTORS	Salary £000	Annual Bonus £000	Deferred Bonus £000	Benefit £000	Pension £000	TOTAL £000
Paul Wheeler (CEO)[1]	161	10	10	30	38	**249**
Daniel Jones (FD)[2]	122	10	8	16	21	**177**
TOTAL	**283**	**20**	**18**	**46**	**59**	**426**

2022 EXECUTIVE DIRECTORS	Salary £000	Annual Bonus £000	Deferred Bonus £000	Benefit £000	Pension £000	TOTAL £000
Paul Wheeler (CEO)[1]	154	17	17	20	36	244
Daniel Jones (FD)[2]	117	13	12	14	20	176
TOTAL	271	30	29	34	56	420

The highest paid Director in the Society is Paul Wheeler (CEO).

(1) The Chief Executive receives a 12% employer's pension contribution from the Society but also chooses to use salary sacrifice to increase this amount by a further 8% (20% in total) and this higher value is included within the pension contributions disclosed above.

(2) The Finance Director receives a 10% employer's pension contribution from the Society but also chooses to use salary sacrifice to increase this amount by a further 5% (15% in total) and this higher value is included within the pension contributions disclosed above.

On behalf of the Board of Directors

Rachel Haworth

Rachel Haworth (Mar 7, 2024 10:17 GMT)

Rachel Haworth

Chair of the Remuneration Committee

7 March 2024

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