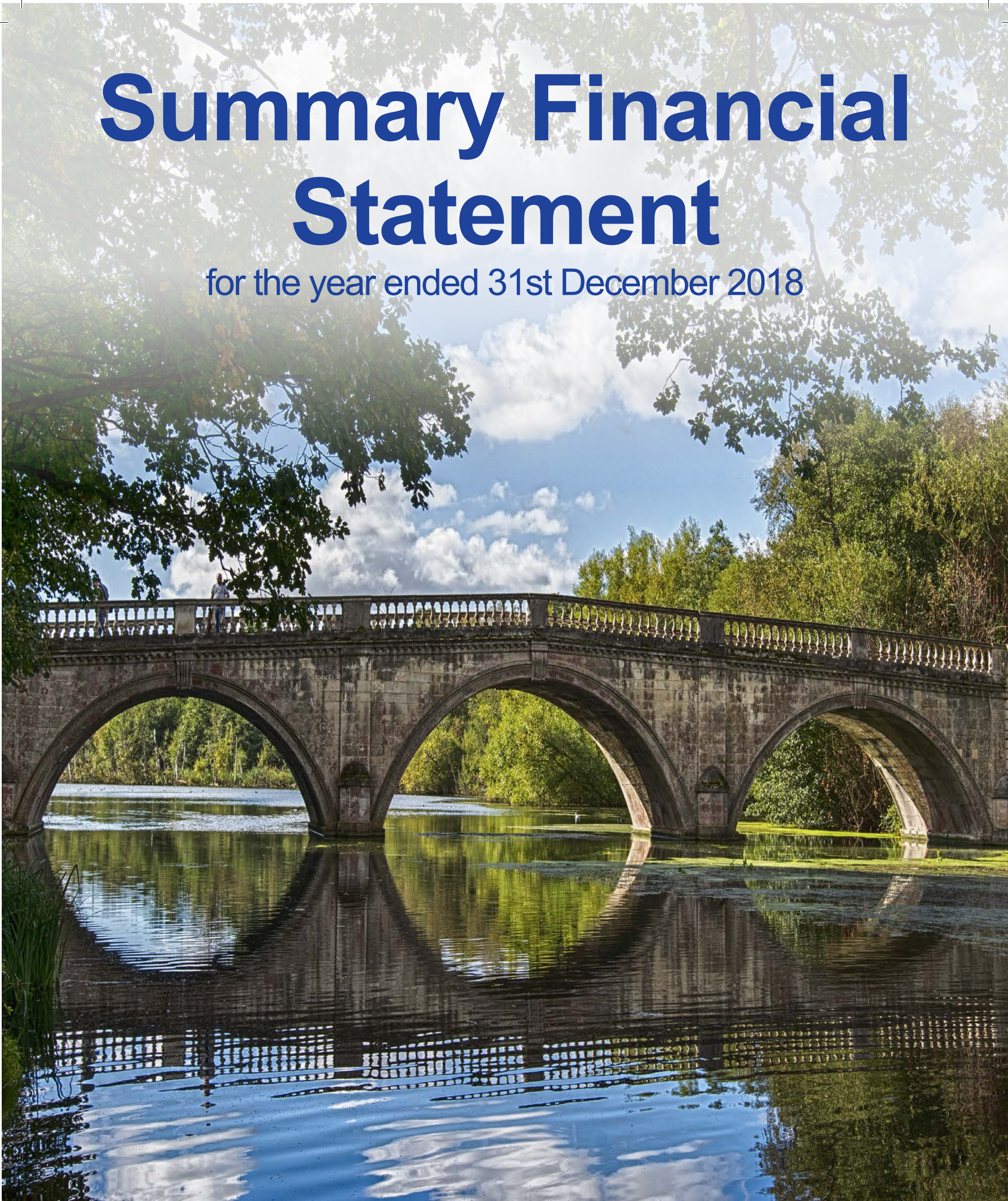
Summary Financial Statement

for the year ended 31st December 2018



Clumber Bridge, Clumber Park, Worksop

the mansfield building society

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Summary Financial Statement for the year ended 31 December 2018

The Directors are pleased to present their Summary Financial Statement for the year ended 31 December 2018.

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 29 March 2019 and on our website as soon as practicable after the 2019 AGM.

Summary Directors' Report

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

The Society is also focused on delivering support to the local community by the funding of various local initiatives and volunteering help to many local organisations.

Business review

This has been another excellent year for the Society. The second year of record mortgage lending has come against a backdrop of significant increase in market competition from retail banks as well a number of new market entrants. Challenger banks continue to enter the market and typically specialise in the type of underserved mortgage segments that the Society has successfully supported over the past few years. This competition has resulted in rates in the mortgage market being at historically low levels despite the rise in Bank Base rate. Against the backdrop of aggressive pricing in the market, particularly by larger lenders and the Challenger banks, the Society has carefully balanced the need to maintain competitive rates whilst also protecting profitability. This context makes the growth in the mortgage book of 11.74% an excellent performance for which the Board would like to thank all our customers and staff.

Mortgage lending was very similar to 2017 with gross advances of £94.0m (2017: £93.7m) and this was matched by a record growth in mortgage balances of £34m (2017: £31.7m). To provide some context for the exceptional nature of the combined book growth of £65.7m achieved across 2017 and 2018, this exceeded the entire growth achieved by the Society in the 10 preceding years (2007-2016 combined mortgage book growth of £51.7m). Given the increasing supply and competition amongst mortgage lenders it is more likely that the Society's mortgage book growth levels will revert to more normalised levels in future years. The two consecutive years of exceptional asset growth has boosted income receivable and this has enabled further cost investments in key areas outlined later in this report.

Looking ahead to 2019, the Government's policy of additional stamp duty charges and lower tax reliefs on rental properties is likely to continue to dampen market demand for Buy to Let mortgages; however, the extension to the Help to Buy scheme alongside a range of initiatives to facilitate the supply of new housing in the UK, are positive developments to support the mortgage market. In addition, there continues to be signs of growing momentum in respect of new housing being delivered via the use of Self Build and Custom Build, the latter being where borrowers purchase a serviced-build-plot and are then supported in completing their new house build by an 'enabling developer' already operating on their selected site. The Society is well positioned to take advantage of this momentum and continue to support people in achieving their housing goals.

Summary Financial Statement for the year ended 31 December 2018

Profit after tax has increased to £1.8m due to the growth in the mortgage book and the net margin achieved from this book. This profit level has further increased capital reserves to £27.8m resulting in a healthy gross capital ratio of 7.34% (2017: 7.64%). Members should place great assurance that this level of capital reserves continues to comfortably exceed the regulator's minimum requirement. The Board believes that the current capital levels are appropriate and stress testing scenarios confirm that we have a strong protective buffer to provide contingency against future headwinds in the market.

The continuation of the Funding For Lending Scheme (FLS) and the introduction of the Term Funding Scheme (TFS), resulted in market-wide reductions in savings rates during 2016 and early 2017, it was therefore encouraging to see that the Bank of England Base Rate was increased again in August 2018. As a result of this the Society announced increases to savings account rates effective from 1st October. The Society has taken advantage of the funding available from the Bank of England via the TFS scheme and after drawings were closed in February 2018, had drawn a total of £46m. Despite this availability of funding, the Society has regularly appeared in the Investment Best Buy tables during 2018 in respect of the competitiveness of our savings rates, indeed, our sustained competitiveness has led to retail savings balances growing by over £24m.

The interest margin has increased to 1.91% (2017: 1.78%) due to the increase in the proportion of funding obtained from the Bank of England and the improving yield in the mortgage book created by the increased proportion of lending in the underserved markets e.g. self build. Net interest margin will come under further pressure in 2019 as more lenders enter the market, typically with aggressive product pricing. Competition for retail savings will also increase, as the Bank of England funding schemes are not planned to be extended and new entrants continue to join the market.

As mentioned, the increased income receivable has enabled the Society to continue to make further investment in strengthening the people and system resources to deliver future sustained and stable growth. The Board is looking to ensure that we continue to have the people and systems of control to manage risks and deliver numerous change projects brought about by regulatory requirements and market developments. A significant proportion of the year on year increase in administration costs continues to be invested in developing the systems environment operated by the Society to keep abreast of technology changes including enhancing online systems. November 2018 saw the launch of our new online broker portal for mortgage applications. This has already been extremely successful with the majority of decisions in principle and applications during December being made via this system. We have also taken the opportunity to further invest in our cyber security and systems resilience in 2018.

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

The Management Expenses ratio of 1.27% (2017: 1.22%) reflects the continued investment in the infrastructure of the Society and remains in line with peer group comparisons.

During 2019, the Management Expenses Ratio is again expected to increase as we make the necessary further investments to ensure we continue to meet both customer and regulatory needs. This will include additional investment in our website and our online savings offering as well as the rebranding of the Society and the relocation of our branch in Sutton in Ashfield.

Summary Financial Statement for the year ended 31 December 2018

Whilst strong finances are important, the Board recognises that, as a mutual membership based organisation, the service to our members and our community is paramount. It is therefore pleasing to report that we were again Highly Commended for our work in the community by Mortgage Finance Gazette in their annual awards. In addition, the Society won the prestigious Platinum award for Customer Service at the Mansfield Town Centre Customer Service Awards organised by Mansfield BID, and also won the ‘Best Junior ISA’ award in The Money Pages Personal Finance Awards.

Members continue to appreciate our service with 95% of savings customers who returned our survey questionnaires in 2018, willing to recommend the Society to a friend or relative. Indeed, our strong service ethic is also reflected in the small number of upheld complaints we receive. These results reinforce our belief that the combination of a strong personal service proposition, our mutual ethos and competitive rates is an effective strategy for the Society to follow.

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

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

Summary Financial Statement for the year ended 31 December 2018

Key performance indicators

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

Significant Statistics	2018	2017	2016	2015
Total Assets £m (1)	**407.8**	368.1	328.8	314.7
New Mortgage Lending £m	**94.0**	93.7	63.8	70.1
Mortgage Assets growth %	**11.7%**	12.2%	3.8%	9.5%
Retail Share Balances net increase £m	**20.8**	15.8	20.7	14.4
Total Savings Balances net increase £m (2)	**24.9**	16.2	18.6	24.0
Management Expenses as a % of mean Total Assets	**1.27%**	1.22%	1.21%	1.23%
Cost to Income Ratio %	**66.46%**	67.88%	65.16%	62.36%
Profit after Tax £m	**1.75**	1.55	1.57	1.57
Liquid Assets as a % of Shares and Borrowings (1)	**21.23%**	22.03%	22.41%	21.87%
Mortgage Arrears on accounts>2 months in arrears £m	**0.06**	0.06	0.06	0.06
Gross Capital as a % of Shares and Borrowings	**7.34%**	7.64%	8.07%	7.89%

(1) In 2015, 2016, 2017 and 2018 respectively the Society held cumulative drawdown balances of £31m, £31m, £15m and £4m from the Funding for Lending Scheme (FLS). This funding was accounted for off balance sheet unless it was the subject of a repurchase agreement. In 2015, 2016, 2017 and 2018 the repurchase agreements were for £22m, £23m, Nil and Nil which brings that funding onto the balance sheet and leaves £9m, £8m, £15m and £4m off balance sheet in each year.

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

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

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

Mortgages

We are pleased to report a very strong mortgage lending performance with completed advances of a record £94m (2017: £93.7m) the majority of which are secured on residential wholly owner occupied property. The increase in mortgage balances has been funded, in the main, by £24.9m of retail savings inflows from our members, both new and existing, and drawdowns from the Term Funding Scheme (TFS). The Society has been careful to ensure that the strong mortgage growth has been delivered in a controlled and measured way. We continue to closely monitor all lending decisions, adopting a common-sense and responsible approach to new lending in order to maintain a high quality loan book.

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

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

The Society continues to look for ways to help as many people as possible with their mortgage requirements and we have launched a number of new products this year to add to our range of choice. We now have a Parental Assist mortgage to help younger people take their first steps onto the housing ladder and a Retirement Interest Only mortgage to allow people to continue with a mortgage into their retirement.

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

Despite increases in bank base rate, overall arrears levels have remained at very low levels reflecting the low levels of unemployment and the Society's robust underwriting approach which stress-tests future borrower affordability were interest rates to increase significantly.

As at 31 December 2018 there were no mortgages where repayments were 12 months or more in arrears (2017: one); the amount of those arrears being £Nil (2017: £5,535) and the mortgage balance £Nil (2017: £74,668). The Society always attempts to assist customers in arrears to reach a manageable solution. This is the reason that the cases with arrears greater than 12 months are infrequent, as customers were able to find a solution to reduce the arrears which was the right outcome for our customers and the Society. Where the Society considers there to be a possibility of loss, an impairment allowance is made in accordance with Board approved policy.

The Society had to take one property into possession during the year but suffered no loss on the sale.

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

The Board recognises the need to prudently provide for losses. A review of the impairment allowance for forbearance cases, interest only cases where the customer has no evidence of a repayment vehicle, customers who are more susceptible to a payment shock and those customers with a higher propensity to default, has resulted in an increase in the impairment allowance in line with the book growth to £708,000 (2017: £621,000).

Savings

Member savings balances increased by £20.8m (2017: £15.8m) through attracting funds into a diverse range of accounts including fixed rate bonds, postal accounts, regular savings, and community deposits. Our postal notice accounts were particularly successful along with our range of fixed rate bonds and our community deposit account.

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 £2.8m to £6.7m during the year and are proving to be a popular choice with members.

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

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

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

At 31 December 2018, gross capital, which is represented by reserves, amounted to £27.8m (2017: £26.0m), being 7.34% of total shares and borrowings (2017: 7.64%). Free capital, which comprises gross capital, collective loan impairment allowance less tangible and intangible fixed assets, amounted to £26.3m (2017: £24.6m).

Liquid assets in the form of cash in hand, deposits with credit institutions and debt securities stood at £80.4m representing 21.23% of shares and borrowings as at 31 December 2018. This compares with £75.1m and 22.03% reported at 31 December 2017. The liquid assets figure of £80.4m does not include £4m (2017: £15.0m) of Treasury Bills we hold as part of the FLS as these are held off balance sheet for accounting purposes. The Board has been able to keep liquidity at efficient levels as the Society continues to have access to the various facilities in the Bank of England's Sterling Monetary Framework operations. This facility is designed to provide lenders with greater access and flexibility in managing balance sheet funding.

The Society's approach to risk management and the annual capital adequacy assessment are in line with the Capital Requirements Directive and can be found in the Society's Pillar 3 disclosures on our website.

Community involvement

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

Charity Partner

Our staff chose to support Macmillan Cancer Support for two years as our Society charity. They have continued to show great enthusiasm towards raising funds throughout 2018 and have now raised a total of £14,042 over the 2 years. Staff have participated in many events including the Yorkshire 3 peak challenge, the London marathon, Branch to Branch walk, The Mansfield's own 'bake off' and numerous cake sales and raffles. A particular favourite was the Christmas lunch cooked by the charity committee for other members of staff. We are proud that our staff have voted to continue to support Macmillan Cancer Support for another year and we will be organising fundraising events and providing staff volunteering days throughout 2019.

Work in the Community Scheme

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

In 2018, 45 staff members donated 76 days to the local community by participating in various initiatives. These initiatives included craft projects with local schools, clearing wasteland to create a useable space for a community garden; helping to develop interview skills, CV writing and career guidance for local teenagers; supporting the local Prince's Trust; planting trees in local woodland; assisting Age UK with the collection of bulky stock for sale in their charity shops and, helping paint a local community centre.

Community Support Scheme

The Society's Community Support scheme contributions totalled £21,580 in 2018 (2017: £20,000) as the Board demonstrated an ongoing commitment to provide support for worthy causes in our local community. This contribution in 2018 included a donation to the Charitable Trust Fund of £7,578. We supported a number of local organisations and have received some excellent feedback from them –

"Thanks to the Mansfield Building Society donation we were able to secure equipment for our first responder team. We saved 4 lives in 2018."

"We believe in sport for all and funding from the Mansfield Building Society was vital in helping us go into special needs schools in Nottinghamshire to coach Kwik and Table Cricket and run an inter-schools tournament. The schools also attended a Cricket & Countryside Education Day on the Belvoir Estate where the children flew the birds of prey, had a go at fishing and met working dogs and horses. The community fund really does make a big difference."

Charitable Trust Fund

In addition to these worthy endeavours, the Society set up a Charitable Trust Fund in 2015 which will be used to fund larger charitable donations and provide enduring support to our local communities. The fund was started up with a £50,000 donation from Society profits and a further £70,000 was contributed in 2016/17. In 2018 the fund trustees awarded donations to Portland College to help build an exciting new activity trail for the benefit of their disabled students. A grant was awarded to the Inspire and Achieve Foundation to help fund the Prince's Trust programme for young disadvantaged adults in the Mansfield area, and a grant was awarded to R.E.A.L. Education to help create a mobile classroom to help re-engage with children that fall outside of mainstream education.

During the year, the balances on our range of Community Saver Accounts grew to £6.7m - these accounts pay a competitive rate of interest to our saver members and also accrue a 0.1% annual contribution from the Society into the Charitable Trust Fund.

In total, the Society has provided £62,925 into the Charitable Trust Fund out of 2018 profits, to enable the fund to support more local charities and initiatives.

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

Financial risk management objectives and policies

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

Principal risks and uncertainties

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

- **Strategic risk** is the impact on the Society's business model as a result of the changing interest rate environment, competition and legislation. These have the potential to reduce the Society's profit levels and contribution to capital, thereby threatening the financial strength of the Society. Strategic risk is regularly considered by the Board.
- **Credit risk** is the risk that mortgage customers or treasury counterparties default on their obligation to pay. Mortgage credit risk is controlled in accordance with the Board approved lending policy and by strict controls over lending mandates. Mortgage applications are approved by a central underwriting team in accordance with the lending policy. Quality control reports are regularly considered by the Credit Committee and the Board Risk Committee.

  Counterparty credit risk is controlled through adherence to the Board approved policies for Liquidity and Financial Risk Management, these include prudent limits on credit exposures to individual and groups of counterparties.
- **Interest rate risk** is the risk of mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates, impacting on profitability and the value of the Society's assets and liabilities. Interest rate risk is managed utilising financial instruments where appropriate (in accordance with the Board approved policies for Liquidity and Financial Risk Management). This is regularly reviewed by the Management Assets and Liabilities Committee and the Board Risk Committee.
- **Liquidity risk** is the risk of being unable to meet demands and commitments to provide funds to customers and other third parties. Liquidity risk is controlled through adherence to the Board approved policies for Liquidity and Financial Risk Management, which ensures sufficient funds in liquid form are available at all times so the Society can meet its liabilities as they fall due. Stress tests are carried out regularly to confirm that the Society can withstand normal and abnormal cash outflows. The policies for Liquidity and Financial Risk Management are regularly reviewed by the Risk Committee and are approved by the Board.
- **Operational risk *(including Cyber risk)*** is the risk of loss arising from inadequate or failed internal processes or systems, human error or external events. The Society has robust processes and controls in place for all operational areas, which are designed to mitigate this risk. The Society has invested heavily in upgrading our IT systems and

security to ensure we are protected from Cyber risk. The Audit and Compliance Committee is responsible for assessing the effectiveness of the system of inspection and control including cyber protection.

- **Legal and Regulatory risk** is the risk of failing to interpret, implement and comply with the array of legal and regulatory requirements. This is regularly reviewed by the Risk Committee.
- **Conduct Risk** is the risk of the Society providing poor outcomes to customers. The Society is committed to treating customers fairly and this is underpinned by the Society's Conduct risk framework, which is regularly reviewed by the Risk Committee. The executive committees monitor conduct risk at an operational level.
- **Brexit Risk** is the risk that a significant amount of uncertainty remains regarding the future relationship between the United Kingdom and the European Union. As a solely UK focused organisation, the Society has no direct exposure to the EU. However, the wider UK economic implications and operational impacts of Brexit have been considered and are summarised below:
  - The Board believe that the implications of a "No Deal" Brexit are difficult to quantify, however there is a high likelihood of recession leading to unemployment and therefore reduced ability from customers to repay their mortgages. We would also expect significant house price reduction and therefore potential negative equity for customers and therefore losses for the Society should those customers be unable to repay their mortgage.
  - The Board has focused on this potential downside when performing stress tests on the possible outcome and can reassure members that the Society has sufficient capital buffers to withstand this worst case Brexit scenario.
  - The Board also considered other implications of Brexit and can confirm that our treasury assets are all invested in the UK and our staff are all UK residents. Although the Society has some exposure to suppliers with EU parent companies the Board consider the risks to be controlled and that the operational resilience of the organisation is not impacted by a "No Deal" Brexit.

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

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

Staff

The Society is proud of our excellent customer service record and this is founded upon well qualified staff, motivated to do an excellent job and who act in the best interests of our members. The Board would like to thank the staff for delivering an excellent year of profitable growth whilst maintaining a high level of service to our members. Our staff worked extremely hard throughout 2018 and coped admirably with the challenge of balancing high volumes of business with the need for change in both processes and systems, to keep pace with regulation. We have invested in additional resources to ensure that all staff have the appropriate time and tools to deliver our service commitment to provide individual personal service to members.

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

The Society has also invested in learning and development resource in 2018 and formal job training was supplemented by a series of "Lunch & Learn" sessions which allowed staff to learn new skills in a more relaxed environment. Staff support was further enhanced by the Health and Well Being programme which has been successfully introduced for all staff to take advantage of.

2018 saw the launch of our Management Development programme which focusses on the key skills of managing both people and tasks. This has been made available to all managers and aspiring managers.

As an equal opportunities employer, the Society values the differences that a diverse workforce can bring and is committed to ensuring that its workplaces are free from unlawful or unfair discrimination because of race, nationality, ethnic or national origin, gender (including gender reassignment), sexual orientation, age, religious beliefs, marital status or disability.

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

Future developments

The Board reviews the Society's strategy each year and in 2018 the Board Planning Day took a longer term perspective on how member and intermediary requirements may change over the next 7 years. The Board also reviewed the expected market and technology change that will be inevitable during this period. Over this longer term time horizon, the Board expect that the Net Interest Margin will come under pressure due to fierce competition within the mortgage market and also increasing competition for the retail savings necessary to fund future growth.

Our careful and cautious approach to mortgage underwriting has protected the Society from serious financial losses. Our considered and prudent approach to conducting our business affairs means that we are well placed to take advantage of opportunities in sectors that are sometimes ignored by larger lenders. Buy to let, self-build, 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 2019.

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

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

To achieve the above, the Society plans to make further investments in people, process and system improvements including: - new branch outlets in our heartland area (bucking the industry trend of recent branch closures); new branding and enhanced community engagement to increase the awareness and support of the Society's products and services and improvements to our online and mobile access facilities. All of this will be delivered against a backdrop of further strengthening our cyber security and operational resilience capabilities.

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

The level of mortgage growth achieved in 2017 and 2018 was an exceptional performance in a difficult market. Given the intensification of market competition and the uncertainty of Brexit, the Board expects growth in mortgages to be a challenge for the year ahead with market pricing likely to drive a reduction in the interest margin that the Society is able to achieve.

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

Directors

The following were directors of the Society during the year:

Non-executive directors

Jeremy Cross, FCA	Chairman
Rob Clifford, CertPFS	Vice Chairman and Senior Independent Director

Robert Hartley, FRICS
Alison Chmiel, FCMA
Colin Bradley, ACA, ACIB
Nick Baxter, DipM DipMan (Open)

Executive directors

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

Alison Chmiel, Colin Bradley and Jeremy Cross stand for re-election in accordance with Rule 26 (retirement by rotation).

At 31 December 2018 no director held any interest in the shares or debentures of any connected undertaking.

Auditor

The Board continue to recommend KPMG LLP be appointed as auditor and a resolution for their appointment will be proposed to the Society's forthcoming Annual General Meeting.

On behalf of the Board of Directors

Jeremy Cross
Chairman
28 February 2019

Summary Financial Statement for the year ended 31 December 2018

RESULTS FOR THE YEAR	2018 £'000	2017 £'000
Net Interest Receivable	7,393	6,189
Other Income and Charges	13	94
Administrative Expenses	(4,922)	(4,264)
Impairment Provisions	(92)	4
Other Provisions	(214)	(109)
Profit for the year before taxation	**2,178**	1,914
Taxation	(424)	(368)
Profit for the year	**1,754**	1,546

FINANCIAL POSITION AT END OF YEAR

Assets		
Liquid Assets	80,434	75,075
Mortgages	324,599	290,501
Derivative Financial Instruments	232	139
Fixed and Other Assets	2,511	2,380
Total Assets	**407,776**	368,095
Liabilities		
Shares	285,606	264,818
Borrowings	93,181	76,028
Derivative Financial Instruments	66	51
Other Liabilities	1,129	1,158
Reserves	27,794	26,040
Total Liabilities	**407,776**	368,095

SUMMARY OF KEY FINANCIAL RATIOS	2018 %	2017 %
Gross Capital as a % of Shares and Borrowings	**7.34**	7.64
Liquid Assets as a % of Shares and Borrowings	**21.23**	22.03
Profit for the year as a % of mean Total Assets	**0.45**	0.44
Management Expenses as a % of mean Total Assets	**1.27**	1.22

Gross capital as a percentage of shares and borrowings

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

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

Liquid assets as a percentage of shares and borrowings

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

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

Profit for the year as a percentage of mean total assets

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

The Society needs to make a level of profit each year which maintains its capital ratio at a suitable level to protect investors. However, a building society does not have to pay dividends to equity shareholders as a company does.

Management expenses as a percentage of mean total assets

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

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

Approved by the Board of Directors on 28 February 2019 and signed on its behalf by:

Jeremy Cross
Chairman

Paul Wheeler
Deputy Chief Executive, Finance Director and Secretary

Gev Lynott
Chief Executive and Director

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

Opinion

We have examined the summary financial statement of The Mansfield Building Society ('the Society') for the year ended 31 December 2018 set out on pages 1 to 13.

On the basis of the work performed, as described below, in our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2018 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for opinion

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2018, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2018.

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

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

One Snowhill
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28 February 2019

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 2018 was:

Robert Hartley (Chair)
Jeremy Cross

Meetings of the Committee are also attended by Gev Lynott, Paul Wheeler and Vickie Preston, as appropriate, who withdraw from the meeting when their own remuneration is being considered, or on request.

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

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

Policy for executive directors

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

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

Bonus – the two executive directors are entitled to a medium term bonus which is a non-pensionable, performance related cash bonus payable on achievement of Board specified key performance indicators and personal objectives which include risk management objectives. Performance is based on a one year period with 50% of the payment being deferred equally over the following two years. The deferred payment is subject to additional medium term performance objectives. Payment is not guaranteed and the maximum bonus is 20% of basic salary. Given the successful performance during 2018, the two executive directors have earned 20% of basic salary as reward under this scheme.

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

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

The Committee are satisfied that the remuneration policy has achieved the desired performance and behavioural outcomes during 2018.

Summary Directors' Remuneration Report

Service contracts

The Chief Executive has a service contract with the Society dated 15 September 2011. The Chief Executive's notice period to the Society is nine months. The Society's notice period to the Chief Executive is 12 months. In the event of amalgamation, transfer of engagements or transfer of business where the executive director's employment is to be terminated, the Society shall give not less than 12 months' notice.

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

Policy for non-executive directors

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

The remuneration of the Chairman is reviewed by the Remuneration Committee and ratified by the Board. Non-executive directors are remunerated solely by fees which reflect time spent on Society affairs including membership of Board committees. They do not have service contracts and do not receive a salary, pension, bonus incentives or other taxable benefits. Non-executive directors serve under letters of appointment following election by the Society's membership.

Directors' remuneration

Details of directors' emoluments for the financial year ended 31 December 2018 are shown below.

Audited	**2018 £000**	2017 £000
Non-executive directors' fees	**153**	144
Executive directors' remuneration	**389**	354
Total	**542**	498

Non-executive directors' fees	**2018 £000**	2017 £000
Jeremy Cross (Chairman)	**34**	33
Rob Clifford	**25**	21
Alison Chmiel	**25**	24
Robert Hartley	**22**	21
Nick Baxter	**22**	21
Colin Bradley	**25**	24
Total	**153**	144

Summary Directors' Remuneration Report

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

	Salary £000	Salary in lieu of pension £000	Annual Bonus £000	Deferred Bonus £000	Benefit £000	Pension £000	2017 £000
Executive Directors							
Gev Lynott (CEO) (3)	151	-	11	12	18	0	192
Paul Wheeler (DCEO) (2)	105	-	9	9	14	25	162
Total	256	-	20	21	32	25	354

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

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

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

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

On behalf of the Board of Directors

Robert Hartley
Chair of the Remuneration Committee
28 February 2019

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