MANSFIELD
BUILDING SOCIETY

2021

REPORT & ACCOUNTS

For you | With you | Always

CONTENTS

*Total year on year increase in Shares balances

KEY PERFORMANCE INDICATORS

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

SIGNIFICANT STATISTICS	2021	2020	2019	2018	2017
Total Assets £m[1]	452.8	435.2	433.7	407.8	368.1
New Mortgage Lending £m	87.7	71.9	89.8	94.0	93.7
Mortgage Assets growth	4.6%	2.9%	4.0%	11.7%	12.2%
Retail Share Balances net increase £m	3.1	4.6	28.9	20.8	15.8
Total Savings Balances net increase £m[2]	3.7	2.6	29.7	24.9	16.2
Management Expenses as a % mean Total Assets	1.48%	1.36%	1.27%	1.27%	1.22%
Cost to Income Ratio	70.90%	73.54%	68.21%	66.46%	67.88%
Profit After Tax £m	2.31	1.46	1.89	1.75	1.55
Liquid Assets as a % of Shares and Borrowings[1]	20.67%	20.97%	23.06%	21.23%	22.03%
Mortgage Arrears on accounts >2 months in arrears £m	0.20	0.15	0.09	0.06	0.06
Gross Capital as a % of Shares and Borrowings	8.01%	7.75%	7.38%	7.34%	7.64%
Net Interest Margin as a % of Mean Assets	2.07%	1.86%	1.87%	1.97%	1.78%
Leverage Ratio as Tier 1 Capital as % of Total Assets	6.88%	6.78%	6.45%	6.35%	6.41%
Common Equity Tier 1 Capital as % Risk Weighted Assets	19.48%	19.00%	19.68%	19.38%	20.01%

(1) In 2017, 2018, 2019, 2020 and 2021 respectively the Society held cumulative drawdown balances of £15m, £4m, £0m, £0m and £0m from the Funding for Lending Scheme (FLS). This funding was accounted for off balance sheet unless it was the subject of a repurchase agreement. In 2017, 2018, 2019, 2020 and 2021 the repurchase agreements were for Nil, Nil, Nil, Nil and Nil which brings that funding on to the balance sheet and leaves £15m, £4m, £0m, £0m and £0m off balance sheet in each year.

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

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

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

STATEMENT FROM THE BOARD CHAIR

2021 was a year of continued uncertainty in the world as a whole, and things were no different for the Society and its members. We started the year with some optimism that the newly rolled out Covid vaccines would bring us all through the crisis, but within the first few days, the government had already re-imposed restrictions and it was clear that we were far from out of the woods. For most of us, the remainder of the year was a roller coaster, as periods of more benign case rates were followed by the emergence of new, faster spreading variants, and we learnt to expect the unexpected as we followed the daily news cycle. For some of us, of course, the effects of the virus have continued to be much more personal, and my thoughts are with those who have lost loved ones or whose health has been affected by the crisis during the year.

In terms of the operations of the Society, the Covid crisis was less disruptive than during 2020, but many colleagues continued to work from home when the guidance required them to, and Board meetings followed the same pattern, with just a few meetings held in person over the summer months.

We continued to have measures in place in our Branches to ensure the safety of our customers and colleagues alike. Keeping our Branches open in a safe way, to ensure our members can be supported, has been a priority throughout and my thanks go to our excellent Branch colleagues for making this possible.

The wider economic picture during 2021 has been better than originally anticipated. Much feared rises in unemployment did not materialise, and house prices rose by around 10% as the Government's stamp duty relief continued to buoy the market. Towards the end of the year, inflationary pressures became intense, and the Bank Rate was finally increased to 0.25% in December. The wider ramifications of this for the economy as a whole are difficult to predict. The Society, at least, is financially strong and well prepared for the year ahead, whatever that may bring.

On a personal note, I was delighted to be appointed as Board Chair during the year. I would like to extend an enormous thank you to Jeremy Cross, our outgoing Chair, for his service to the Society. He stepped down as Chair in June, having held the position for 6 years. During his tenure, the Society has built considerable financial strength, grown its assets by 47%, and modernised its branch network, its brand, and much of its technology. He has been an avid sponsor of an open and positive culture, challenging the Executive Team to constantly look for improvements that can ultimately benefit its members. He has temporarily taken the role of Chair of Risk Committee, as part of the Board's succession planning, and to help maintain continuity, but will stand down as a Board member during 2022, by which time he will have served a little over 9 years in total.

Rob Clifford, too, stood down from the Board on 27 January 2022, having served for 10 years. During his time, he has served in various roles including chairing the Risk Committee and acting as the Senior Independent Director, but he will be most missed for the tremendous commercial astuteness he brings. Rob's keen eye for good business strategy has been instrumental in helping the Society understand how best to interact with the mortgage broker market and ultimately attract mortgage members to the Society.

Replacing Rob and Jeremy on the Board are Rachel Haworth and Keith McLeod. For the purpose of ensuring a smooth transition, this led to a temporary situation of having 10 directors on the Board as at 31 December 2021. Rachel has a wealth of experience in the Building Society sector, with strong commercial and operational acumen in particular, and Keith has formerly acted as a Finance Director within regulated financial services businesses, and has a breadth of risk management skills, including an understanding of prudential matters. I have been very pleased to see how effective the Board's succession plan was in ensuring we continue to have the right mix of experience on the Board, and by how many strong candidates were interested in being a part of the Society's future.

Finally, I would like to extend my thanks to all our members and customers for their custom during the year. The Society is in a strong position to support you and I look forward to continuing to support you in your aims as a home owner or a saver for many years in to the future.

Alison Chmiel
Board Chair
25 February 2022

CHIEF EXECUTIVE'S REVIEW

I must start this review by acknowledging the support of our members during another challenging year for everyone. We have continued to grow the Society by attracting new members via our mortgage and savings products and have continued to get positive feedback about the personal service that we offer.

I would also like to thank all of my colleagues at the Mansfield Building Society. In another year disrupted by Covid 19, the team have managed to deliver an excellent business performance as well as implementing many projects which have helped us on our journey to become a more modern mutual. Working from home continued for many colleagues during 2021 and adjusting to this 'new normal' has brought challenges to individuals and the Society. Many of the changes that have been introduced will not be visible to members as they are often 'behind the scenes'. An example of this is the continued investment in cyber security to ensure that your data and funds are safe with us. This is an area in which we now have 24/7 external monitoring and high quality real time protection. Some other more visible changes have been the refurbishment of Head Office and the launch of our new online savings system that allows members to open an online account and manage it via the portal.

It's very important to me that we have a positive and inclusive culture at the Society and at the start of 2021 we decided to benchmark the Society against other organisations via the Best Companies survey and accreditation process. This is the first time the Society has done this exercise and I'm very proud to say that we achieved the 2 star accreditation, recognising the Society as an outstanding place to work.

OUTSTANDING
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2021
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PROFIT LEVELS

The Society has had a strong year considering the circumstances and I am pleased to be able to report profit after tax of £2.31m (2020: £1.46m). The mortgage book growth of 4.6% (2020: 2.9%) was also very pleasing as this came whilst maintaining our restricted lending criteria, introduced due to concerns around customer affordability as a result of the pandemic. It was also very pleasing to see that our retention performance was very strong as mortgage members chose to stay with the Society and renew their products at the end of their current deal. Our profitability has been helped this year by some key economic factors. Firstly, the security provided by the housing on which we are lending improved in value as house prices increased, and this has meant that we have made a release of provisions against potential bad debts. Secondly, the rate environment has significantly changed over the course of the year, with expectations of Bank Rate decreases at the start of the year never coming to pass, and instead a Bank Rate increase coming in to effect in December 2021, with the market expecting more rises to come. This improves the fair value of swaps we hold for the purpose of managing interest rate risk, and these increases in fair value flow through to the Society's reported profits. Both the reversal of the market's view on interest rates and the unusually strong increases in house prices are likely to be one off effects and have uplifted the 2021 profits in a way that is unlikely to be repeated.

BANK RATE CHANGES

The pandemic led to an immediate reaction from the Bank of England to try to contain the economic impact resulting in the Bank Rate reducing from 0.75% to 0.10% over the course of a number of weeks during 2020. There was talk of rates being taken negative by the Bank of England during 2021 and the Society made preparations to be able to handle this situation if it occurred. However, we are now experiencing rates of inflation not seen since the early 1990s and the Bank of England has started to increase rates with a 0.15% increase made in December 2021. The Society chose not to move interest rates over the Christmas period but will review the position in early 2022, with a view to ensuring members receive a competitive rate.

COVID RESPONSE

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

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Our Head Office was made Covid secure in a short space of time, however during 2021 the majority of colleagues remained home working due to the continued lockdowns and guidance to work from home if possible. This allowed us to take the opportunity to refurbish the ground floor of Head Office (our old Mansfield branch) and create a modern open plan mortgage centre for our colleagues that work in our mortgage underwriting, administration and sales areas. We were delighted to welcome the Mayor, Andy Abrahams, to open the centre and celebrate our continued investment in the town.

All events were Covid compliant in accordance with regulations in place at the time.

Our branches have remained open throughout the pandemic and although we have reduced opening hours in some locations, we very much remain open for business and our branch colleagues look forward to greeting our members in person. It is very important to us that we remain available to our members and that they have access to cash if they need it.

STRATEGIC INITIATIVES

The Society is always looking for ways in which we can improve our support to our members, colleagues and the environment and we are developing strategies in a number of new areas.

The Society has launched an Inclusion and Diversity strategy to ensure that we are a fully inclusive organisation where colleagues feel that they belong and have a voice, regardless of their individual backgrounds, or their role in the organisation.

Climate Change is clearly an issue that is impacting all of us and we are working through our response to this critical world challenge. We are looking at the impact the Society makes to Climate change and how we can reduce our carbon emissions as well as the impact that climate change will have on the properties that we lend on.

Further details on these key projects are given in the Strategic Report on pages 8 to 17.

COMMUNITY INVOLVEMENT

All events were Covid compliant in accordance with regulations in place at the time.

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.

In total during 2021, the Society has donated over £100,000 to charitable and community organisations at a time when these organisations are very much in need of our support.

We see this support as a key part of being a local building society. Our colleagues are always keen to give back with volunteering days in our local community and supporting events such as One Walk in Mansfield, a celebration of inclusion, showing support for people with learning disabilities and demonstrating that everyone is valued and belongs.

CHARITY PARTNER

LINCS & NOTTS AIR AMBULANCE
SAVING LIVES EVERYDAY

Our colleagues chose to continue supporting Lincs and Notts Air Ambulance as our Society charity in 2021. A target was set to raise £5,000 in the year which is the cost of sending the helicopter out to save two lives.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

A number of events took place in 2021 with the most successful one being the virtual row across the English Channel which colleagues Jen Ward and Holly Smith did in our Mansfield Branch raising over £650. There was also £370 raised by colleagues taking place in a virtual running/walking event which was performed individually due to Covid with another successful event being the Charity Christmas lunch which was cooked by colleagues for individuals in Head Office. The team also created a fund raising page on the internet to try to reach the target and we had generous donations in our branches from our members. In total, we raised £5,002 and were delighted to reach the target set.

All events were Covid compliant in accordance with regulations in place at the time.

We are proud to announce that our colleagues have chosen to support Nottinghamshire MIND as our Society charity during 2022

WORK IN THE COMMUNITY SCHEME

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

In 2021, due to lockdown restrictions, these days were more difficult to achieve, however we still managed to support a number of organisations including planting trees for the Sherwood Forest Trust, gardening at Spa Ponds Nature Reserve in Forest Town and collecting, wrapping and distributing toys for under privileged children at Christmas.

All events were Covid compliant in accordance with regulations in place at the time.

COMMUNITY SUPPORT SCHEME

The Society's Community Support Scheme contributions totalled £21,593 in 2021 (2020: £22,505) as the Board demonstrated an ongoing commitment to provide support for worthy causes in our local community. We supported a number of local organisations and have received some excellent feedback from them:

We donated £500 to Nottinghamshire Blood Bikes to support them in their need to purchase another bike to continue the excellent work they do in the region.

The Community Support Scheme was eager to support a community collaboration with Ashfield Voluntary Action (AVA) and Vision West Nottinghamshire College. Thanks to a £1,176 donation to AVA, not only were we supporting a local organisation, but also contributing to the boost in training hours for the next generation of local construction workers. Whilst the overall project belonged to AVA, construction students from Vision West Nottinghamshire College gained valuable training hours building a shed and veranda from scratch with materials provided by AVA with our donation, providing much needed seating and shelter to all users of Harcourt Street Allotments in Kirkby-in-Ashfield.

All events were Covid compliant in accordance with regulations in place at the time.

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A donation of £500 was made by our Community Support Scheme to Junction Arts Limited to help bring light to Bolsover's Lantern Parade. The donation was given to support an ambitious programme of lantern-making workshops at 5 local primary schools together with community workshops at Bolsover Community Centre.

The Lantern Parade is a long-standing community event in Bolsover's annual calendar and finally returned in 2021 after Coronavirus restrictions prevented it from taking place in 2020.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

The Society made many other donations to community groups in our region and hope that we've made a small difference to people's lives by supporting groups that have struggled to find funding in these difficult times.

CHARITABLE TRUST FUND

In addition to these worthy endeavours, the Society set up a Charitable Trust Fund in 2015 which is used to fund larger charitable donations and provide enduring support to our local communities. The fund was started up with a £50,000 donation from Society profits. Future funding is received partly via our contribution from the Community Saver Account balances and partly from profits made during the year.

All events were Covid compliant in accordance with regulations in place at the time.

By the start of 2021 the fund had a total balance of £191,443 and during the year the trustees awarded Bluebell Wood Children's Hospice a £30,283 donation for two vans to help provide wheelchair accessible transportation and to deliver equipment to fundraising events – creating a legacy, that hospice fundraisers anticipate will last for the next 15 years.

With all services provided by the hospice being free of charge it is essential they raise funds to keep their services running. The Trust's aim was to help the hospice get back on its feet with their planned calendar of fundraising events, providing transport for fundraising equipment and the delivery of PPE equipment to keep all care team staff safe and able to provide vital care to everyone at the hospice

All events were Covid compliant in accordance with regulations in place at the time.

The trust also agreed to donate £5,787 to The Derbyshire Wildlife Trust (DWT) to support them to complete projects at Willington Wetlands - one of DWT's flagship nature reserves. Their 'Bridging the Gap' project will create new pathways and install a multi-user bridge to connect two halves of a broken bridleway, completing a 5 mile circular loop. The improvements will allow all visitors unhindered access to the surrounding countryside for the first time in over 20 years.

The trust also made a £9,700 donation to Sherwood Forest Trust to enable them to build a poytunnel which will be used to grow new saplings from the collection of 10,000 new tree seeds a year which they will then be able to germinate and grow on for re-planting across Sherwood Forest.

The trust has also agreed to provide funding to allow the provision of financial education to schools in our region. We have partnered with Wize Up, who will deliver a programme to schools helping young people to understand budgeting and other financial tools needed to tackle higher education and the workplace. This is a programme that we see as vitally important to our young people in the region and we are delighted to get this off the ground, delivering classes in 2022.

During the year, the balances on our range of Community Saver Accounts grew to £27.3m - these accounts pay a competitive rate of interest to our saver members and also accrue a 0.1% annual contribution from the Society into the Charitable Trust Fund.

In total, the Society has provided £76,524 into the Charitable Trust Fund during 2021, to enable the fund to support more local charities and initiatives. The balance of the fund at the end of 2021 is £221,297.

Paul Wheeler
Chief Executive
25 February 2022

STRATEGIC REPORT

BUSINESS OBJECTIVES

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

BUSINESS REVIEW

This has been a very strong year for the Society, supported by an environment that was surprisingly benign for the markets in which we operate. Coming in to the year, economic forecasters predicted a significant increase in unemployment following the end of the Government furlough scheme, a levelling out of house prices as stamp duty relief came to an end and even the possibility of a recession. In the end, none of this came to pass. Unemployment rose very modestly before returning to levels not much different to pre-pandemic levels. The Government introduced tapering to the removal of stamp duty relief, leading to further rallying in house prices, which ended nearly 10% higher year on year. By November, UK GDP had returned to pre-pandemic levels. It would be wrong to say that the year has been absent of macro-economic concerns but most factors that influence the Society's performance were significantly better than expected.

Economic factors played in to strong profitability in two key ways. Firstly, the security provided by the housing on which we are lending improved as house prices increased, and this has resulted in a release of provisions against potential bad debts. Secondly, the rate environment has significantly changed over the course of the year, with expectations of Bank Rate decreases at the start of the year never coming to pass, and instead a Bank Rate increase coming in to effect in December 2021, with the market expecting more rises to come. This improves the fair value of swaps we hold for the purpose of managing interest rate risk, and these increases in fair value flow through to the Society's reported profits. Both the reversal of the market's view on interest rates and the unusually strong increases in house prices are likely to be one off effects, and uplifted the 2021 profits in a way that is unlikely to be repeated. Readers of the accounts should bear in mind that both of these effects could reverse in the future, which would have an adverse effect on future profits. None of this undermines what is a very strong financial position for the Society, but the 2021 profit level is not expected to be typical of performance going forwards.

In terms of lending, the Society continued to approach the market with caution, slowly releasing the underwriting constraints it had put in place during the worst of the pandemic. Lending on prime higher loan to value residential mortgages returned around the middle of the year, but remains at levels which are modest by comparison to pre-pandemic levels. Supply chain issues continued to effect the speed at which Self Build and Development Finance borrowers could complete their builds, and this held back the volume of lending that took place in these segments. Industry backlogs which had built during the height of the pandemic improved a little over the course of 2021, but the time from application to completion remains elevated, as chains continue to take longer to complete.

Against this backdrop the Board is pleased with the level of mortgage lending with Gross Advances of £87.7m (2020: £71.9m). The annual growth in the mortgage book was £15.8m (2020: £9.9m) and at 31 December 2021, mortgage assets were £363.4m (2020: £348.2m).

Total Assets have grown by £17.6m (2020: £1.5m) reflecting the growth in the mortgage book and an increase in liquid assets of £2.0m (2020 decrease: £8.5m).

STRATEGIC REPORT (CONTINUED)

The Society has maintained its focus on building reserves through improved profitability. The after tax profit of £2.31m (2020: £1.46m) has made a healthy contribution to reserves. As well as strong underlying performance, the 2021 profit included one off gains from derivative financial instruments and their underlying hedged assets of £137k (2020: loss of £62k), which arose from fair value changes in its swap portfolio, and gains from releases in its provision for bad debts of £300k (2020: loss of £54k). Without these two factors and assuming the same rate of tax were payable, the 2021 profit would be £1.96m (2020: £1.55m), which is more comparable to historic levels.

Another factor in the year's performance was a large volume of maturing fixed term bonds within the savings portfolio. These bonds were taken by members when the Bank Rate was at 0.75% and the general rate environment for savings was higher than during 2021. New funding was also taken from the Bank of England's TFSME scheme, which is charged at Bank Rate, and therefore cheaper than if we had generated it from growth in the savings portfolio. These two factors combined to mean that interest expenses were lower in 2021 at £2.7m (2020: £3.5m).

Supply chain issues, caused in part by the rapid return of economic activity across the world, as many countries released Covid lockdown measures, has led to levels of inflation not seen in many years. In December 2021, the Bank of England reacted to this by increasing Bank Rate to 0.25% despite the fact that the outlook for GDP growth is not especially strong. For the majority of the year, though, Bank Rate was at its historical low of 0.10%.

The Society continually reviews the savings rates that it is offering against the wider market and despite the low Bank Rate, we maintained a competitive range of savings products throughout 2021 with our best deals available to local or existing members. With the availability of TFSME funding, we did not actively pursue new savings balances, but our sustained level of competitiveness nonetheless led to growth in members' savings balances of £3.1m.

Another effect of rising inflation is upward pressure on operating costs, and this can be seen in the increased management expenses ratio. Further investments in the modernisation of the Society also contributed to these costs. In particular we made investments in our improved online savings platform and the refurbishment of the former branch at Head Office to create a modern open plan office space for the mortgage and sales teams. The first full year of costs were also borne for the new Mansfield Market Place branch, which had opened in the middle of 2020.

Important investment in resources was also made to ensure that the Society will continue to have the people and systems of control to manage risks and deliver numerous change projects brought about by regulatory requirements and market developments. A significant proportion of the administration costs continue to be invested in developing the systems environment operated by the Society.

Expenses also included a project to review our mortgage process. This has already yielded improved mortgage completion times, and further improvement in this is expected to be delivered in the course of 2022, off the back of work carried out in 2021. We have also continued investing in training and development of our colleagues.

The management expenses ratio of 1.48% (2020: 1.36%) reflects this continued investment in the infrastructure of the Society and remains well positioned in peer group comparisons.

STRATEGIC REPORT (CONTINUED)

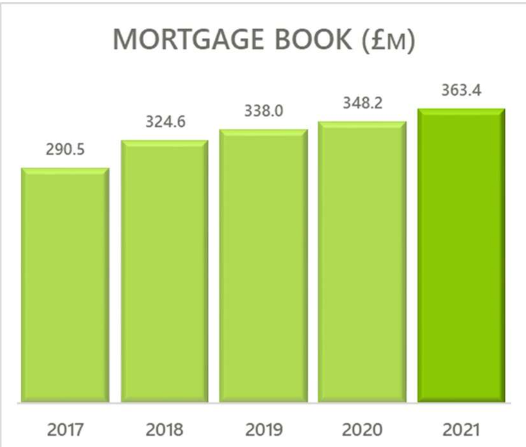
During 2022, the management expenses ratio is expected to continue to increase as we make the necessary further investments to ensure we continue to meet both member and regulatory needs, and also from a continued expectation that inflation will remain above the Bank of England's target of 2%.

Whilst strong finances are important, as a mutual membership based organisation, the service to our members and our community is paramount. It is therefore pleasing to report that we won the Mansfield & Ashfield 2021 'Commitment to the Community' award and were also winners in the local Chad newspaper's 'Community Contribution' award.

Feedback from members consistently suggests they value the excellent personal service that they receive when dealing with our colleagues. Across both savings and mortgages our members rated us as 4.6 out of 5 for customer service with independent financial services review platform Smart Money People. Complaint volumes continue to be extremely low and this combination of positive feedback and low complaints demonstrates how we are fulfilling on our mutual approach, treating every member as an individual.

MORTGAGES

The Society continues to ensure that mortgage growth is delivered in a controlled and measured way and therefore it was expected that the exceptional (c.12%) annual growth levels of 2017-2018 would reduce to more normalised levels in the following years. Against this backdrop, the Board is therefore pleased to report a 4.6% growth in the mortgage book, driven by new lending of £87.7m.



All lending decisions continue to receive personal oversight by experienced underwriters adopting a common-sense and responsible approach to new lending in order to maintain a high quality loan book. The increase in mortgage balances has been funded, in the main, by drawings made from the Bank of England's TFSME scheme, but also by an increase of £3.1m in retail savings balances from our members, both new and existing.

All mortgage cases are fully assessed by our own underwriters (we do not operate automated credit scoring) to understand each case on its own merits. The underwriting process applies a number of checks to ensure borrowers have adequate repayment affordability even allowing for the impact of potential future interest rate increases, which is especially important as we head in to a year when the markets suggest Bank Rate increases are likely.

There continues to be strong market/intermediary demand for different segments of mortgage lending including First Time Buyer/Low Deposit mortgages, Shared Ownership (part-rent/part-buy) and Self Build. This lending extends across England, Wales and Scotland. The Society has also built a small portfolio of Development Finance loans in partnership with NEXA Finance Limited over the past two years. No new lending segments were launched in 2021, but recently launched segments were successfully grown, including, for instance, loans for members who let properties via a Limited Company. 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.

Overall arrears levels have remained at very low levels, despite the economic backdrop. During the pandemic, we supported 604 mortgage members by providing them with payment deferrals of three or six months under the Government led scheme. Most of these returned to full payment and only 11 have required longer term support. This scheme came to an end in July 2021.

While the much feared increase in UK unemployment levels did not come to pass, and this will have helped avoid any losses arising from loans that the Society has made, we also believe the Society's robust underwriting approach has successfully mitigated losses that could have arisen during the course of the pandemic. This is further supported by the very cautious approach the Society took to the LTV segments it lent in during the year, and the average LTV for the total loan book is down to 36.9% (2020: 39.8%).

STRATEGIC REPORT (CONTINUED)

As at 31 December 2021 there were five mortgages where repayments were 12 months or more in arrears (2020: four); the amount of those arrears being £28,434 (2020: £18,287) and the mortgage balances £280,538 (2020: £342,490). The Society always attempts to assist customers in arrears to reach a manageable solution. This is the reason that cases with arrears greater than 12 months are infrequent, as customers are able to find a solution to reduce their arrears. We believe this is the right outcome for our customers and the Society. Where the Society considers there to be evidence of impairment, an allowance is made in accordance with Board approved policy.

The Society took no properties into possession during the year (2020: nil), however a receiver was appointed in one instance, and a loss of less than £1k arose from this (2020: nil).

Borrowers experiencing payment difficulties are encouraged to contact the Society as a number of forbearance measures are available to assist them with what, in most cases, are temporary problems. These measures could include: a temporary transfer to interest only payments; agreeing an arrears repayment plan; term extensions; or a temporary reduction in payments in order to reduce the financial pressure on the borrower. For all these cases, the intention is that the borrower will resume normal payments as soon as they are able. See Note 28 on pages 67 to 70 for further detail of the number of loans currently being managed, utilising forbearance measures.

The Board recognises the need to appropriately provide for losses. A review of the impairment allowance is undertaken for forbearance and arrears cases, customers who have entered in to an IVA or bankruptcy or had a County Court Judgement. A further review is carried out by the Credit Committee with oversight from the Audit and Compliance Committee, to identify other categories of accounts that may be at risk of not repaying, and a collective provision is also made based on affordability data collected from the credit bureau. Accounts are only provided for if the collateral might not be sufficient to cover the amount outstanding from the loan. With house prices having increased significantly across 2021, this has resulted in a decrease in the impairment allowance to £476,285 (2020: £776,579).

SAVINGS

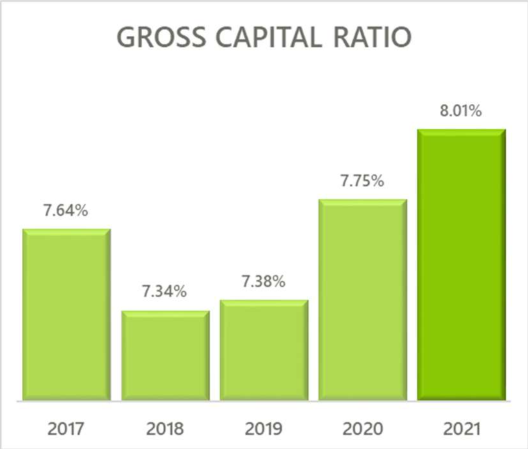
Member savings balances increased by £3.1m (2020: £4.6m) through attracting funds into a diverse range of accounts including fixed term bonds, children's accounts, regular savings, and community accounts. The main focus of our product offerings in 2021 was to our local and loyal members rather than the wider market. Much of our effort during the pandemic has been to ensure that we maintained a high level of service to our existing members, although towards the end of the year, we did re-open a full new range of savings products.

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 £21.1m to £27.3m during the year and continue to be a popular choice with members.

The ongoing low interest rate environment showed signs of some easing in December when the Bank of England's Monetary Policy Committee voted to increase Bank Rate to 0.25%. The market widely expects there to be further increases in 2022, due to inflationary pressures that are expected to continue. While the longer term outlook for GDP may limit how much higher the rate can go, this is at least a positive movement relative to the longstanding low interest rates we have been experiencing.

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

CAPITAL AND LIQUIDITY



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

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

At 31 December 2021, gross capital, which is represented by reserves, amounted to £33.5m (2020: £31.1m), being 8.01% of total shares and borrowings (2020: 7.75%). Free capital, which comprises gross capital and the collective loan impairment allowance less tangible and intangible fixed assets, amounted to £31.6m (2020: £29.3m). The leverage ratio, which represents Tier 1 Capital as a % of Total Assets including post offer pipeline mortgages rose to 6.88% (2020: 6.78%). Common Tier 1 Capital as a % of Risk Weighted Assets (where assets have risk weightings applied using the standardised approach outlined in the Basel II framework) continued to be strong at 19.48% (2020: 19.00%). Good levels of post-tax profit have allowed the Society to maintain its strong capital position in 2021. Capital is also stress tested at least annually via the ICAAP process and this shows the Society has significant capital surpluses, sufficient to absorb losses in a range of severe but plausible stresses.

Successive years of strong performance have bolstered our capital reserves to levels which, members can be assured, comfortably exceed the regulator's minimum requirement. The Board believes that the current capital levels are appropriate and stress testing scenarios confirm that we have a strong protective buffer to provide contingency against future headwinds in the market.

Liquid assets in the form of cash in hand, deposits with credit institutions and debt securities stood at £86.3m representing 20.67% of shares and borrowings as at 31 December 2021. This compares with £84.3m and 20.97% reported at 31 December 2020. 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.

Liquidity is held for the purpose of ensuring the Society can cover its liabilities when they fall due, however holding excess liquidity can constrain the Society's ability to generate returns. The amount of liquidity held is informed by robust stress tests.

FUTURE DEVELOPMENTS

Economic forecasts suggest an outlook with higher inflation, which will exceed the Bank of England's target of 2% in the near term. This may mean further increases in Bank Rate in 2022. Recent rises in house prices seem unlikely to continue to be at the very high levels seen in 2020 and 2021, and a wide range of macro-economic uncertainties continue, including geo-political matters, and supply chain issues, as well as the potential for Covid measures to resurface if the emergence of new variants outpaces advances in vaccine development and other medical treatments. In short, while GDP growth seems to have returned, the economic backdrop is still quite mixed.

Meanwhile, competition within the mortgage and savings markets remains intense, and this results in pressures on margins for the Society. On the technology front, there is a need to ensure that the Society can keep pace with developments that allow members and other customers to interact in their preferred way with the Society, and that the Society can be fast and efficient in its service.

With all of the above in mind, the Board believe the Society has considerable financial strength to support the continued investments needed to ensure it operates in the right segments to protect margins, and it will continue to investigate mortgage lending segments it does not already operate in. Digital infrastructure will also continue to be explored, to improve the ability we have to interact online with savers and to offer fast and efficient service on the mortgage side, whether via brokers or directly to members and customers.

STRATEGIC REPORT (CONTINUED)

The Board reviews the Society's strategy each year and in 2021 the Board Planning Day focussed on the short and medium term future of the savings market and how customers will want to interact with us in the future as well as looking at how the long term requirements of our members and intermediary partners may change over the next seven years. The Board also reviewed the expected market and technology changes that are likely to occur during this period.

The Board also assesses possible future scenarios over this seven year period. All of these scenarios showed a continued level of sustainable profitability. Over this horizon, the Board expects that the net interest margin will come under pressure due to fierce competition within the mortgage market, and increasing competition for the retail savings necessary to fund future growth, but there is confidence in our ability to navigate these challenges.

Our manual approach to mortgage underwriting using experienced individuals has protected the Society from serious financial losses throughout the pandemic. This manual and flexible approach allows us to review all the circumstances of a case and means that we are well placed to take advantage of opportunities in sectors that are sometimes ignored by larger lenders. Buy to Let, Self Build, Shared Ownership, and Development Finance are areas in which we are actively increasing our mortgage book in a controlled manner and this will continue into 2022.

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

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

In 2022, we will complete a number of ongoing projects that improve our mortgage processes, the way we produce management information internally, and the way in which we submit regulatory reports. We will also be making upgrades to our core infrastructure, and will review our mortgage and savings strategies.

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

Given the intensification of market competition and the challenges of Covid-19, the Board was pleased with the mortgage growth of 4.6% in 2021 and expects to continue to grow both the mortgage and savings portfolios in 2022.

The Society is well placed to maintain its strong capital position and robust infrastructure to meet customer and regulatory needs. The healthy 2021 profit and growth levels underline the Society’s ability to operate soundly and successfully. The Board of Directors is fully committed to Mansfield Building Society remaining an independent mutual building society for the benefit of its members.

EQUALITY, DIVERSITY AND INCLUSION

The Board and Executive Team have given focus to the Society’s strategy for equality, diversity and inclusion during 2021. A proposed strategy was discussed by the Board in its September meeting, and this will continue to be rolled out during 2022.

A training programme was carried out for all managers during 2021 that looked at a number of management topics through the lens of inclusion and diversity. These included topics such as unconscious bias and recruitment, following which a number of improvements have been made to our recruitment process, including the anonymisation of CVs.

At the start of 2022, a survey is being conducted with all colleagues to understand their experience of inclusion at the Society, and this will inform the continued roll out of the Inclusion and Diversity strategy.

The Nominations Committee monitors gender diversity within the Board and Senior Management Team, and have set a minimum threshold of 25% for the under-represented gender.

	31 December 2021			31 December 2020		
	Male	Female	% Female	Male	Female	% Female
Directors	7	3	30%	6	2	25%
Senior Management Team	3	3	50%	3	3	50%

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. Further details on these risks can be found in notes 28, 29 and 30 on pages 67 to 74.

PRINCIPAL RISKS AND UNCERTAINTIES

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

CONDUCT	Conduct Risk is the risk of the Society providing poor outcomes to customers. The Society is committed to treating customers fairly and this is underpinned by the Society's conduct risk framework, which is regularly reviewed by the Risk Committee. The executive committees monitor conduct risk at an operational level.
STRATEGIC	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. The Product Committee regularly review data on the mortgage and savings markets, as well as using product profitability analysis when deciding on the pricing of new products. Summaries of this are provided to the Board. The Board runs an annual Board Planning Day, during which it considers strategic risks and opportunities, and this includes reviewing scenarios over a seven year period.
CREDIT	Credit Risk is the risk that mortgage customers or treasury counterparties default on their obligation to pay. Mortgage credit risk is controlled in accordance with the Board approved lending policy and by strict controls over lending mandates. Mortgage applications are approved by a central underwriting team in accordance with the Lending Policy. Quality control reports are regularly considered by the Credit Committee and the Risk Committee. Counterparty credit risk is controlled through adherence to the Board approved policies for Liquidity and Financial Risk Management, these include prudent limits on credit exposures to individual and groups of counterparties.
INTEREST RATE	Interest Rate Risk is the risk of mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates, impacting on profitability and the value of the Society's assets and liabilities. Interest rate risk is managed utilising financial instruments where appropriate (in accordance with the Board approved policies for Liquidity and Financial Risk Management). This is regularly reviewed by the Management Assets and Liabilities Committee and the Risk Committee. A detailed analysis of the Society's interest rate sensitivity at 31 December 2021 can be found in note 30 on page 74. A risk which the Society has been monitoring and mitigating is the risk arising from the phasing out of LIBOR and the transition to alternative reference rates, referred to as interest rate benchmark reform in this document. The Financial Conduct Authority announced on 5 March 2021, the future cessation or loss of representativeness of the 35 LIBOR benchmark settings previously published by ICE Benchmark Administration. Publication of LIBOR settings consequently ceased on 31 December 2021. The Society's key exposure relating to this change was the use of interest rate swaps for hedging purposes. The Society ceased taking LIBOR swaps in 2020 and in August 2021, it transitioned all previously taken LIBOR swaps to SONIA as the alternative risk free rate. As at 31 December 2021, the Society had no LIBOR swaps and consequently it also had no need to utilise the ISDA IBOR Fall-back Supplement and Protocol, which some organisations have used as part of their response to this reform. As at 31 December 2021, the Society no longer has any material exposure to risk arising from interest rate benchmark reform.
LIQUIDITY	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.

STRATEGIC REPORT (CONTINUED)

OPERATIONAL	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 & REGULATORY	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. The compliance team support a process whereby new and emerging regulations are captured and assigned to an appropriate colleague to ensure any consequences for the Society are understood and acted upon.
CLIMATE CHANGE	Climate Change Risk is primarily the risk that the value of the residential houses that our mortgages are secured against reduces due to the environmental impact from the effects of climate change. The Society commissioned a review of its existing mortgage portfolio in 2021 with regard to climate risk, and this was used to inform the ICAAP process. The ICAAP process is used to ensure adequate capital is maintained by the Society. The mortgage and savings products offered, along with the effect that the Society's own carbon footprint has on the environment is also being assessed (see below) to identify opportunities for the Society to contribute towards the UK Government's target of a reduction in carbon emissions and the move to a Net Zero economy.
COVID-19 IMPACT	Covid-19 has had a significant economic impact. Gross Domestic Product (GDP) fell and did not recover back to pre-pandemic levels until November 2021. Unemployment rose but has largely returned to previous levels as at the balance sheet date. The use of lockdowns and an increase in home working has also driven greater use of technology and an increase in associated cyber risks. These factors have meant that the profile of the Society's principal risks could have been affected as follows: ▪ Strategic: Covid-19 has impacted how some consumers choose to interact with their financial service providers. This could accelerate the consumer shift from branches to more online requirements. The Society has improved its ability to service customers digitally in 2021, and will continue to evolve its digital capability. ▪ Credit: The Society took a number of measures at the start of the crisis to ensure that its lending policy accounted for the increased risk that certain segments of lending were likely to represent. Many of the risks that initially arose related to suppressed economic activity, especially in industries immediately affected by lockdowns. These first order effects of the pandemic have abated as GDP growth has returned and government measures have largely eased or are less severe when they are needed. However, supply chain issues have arisen as economic activity has returned and these are playing through to inflation, and thereby into cost of living. Coupled with rising interest rates, this may mean there is the potential for customers to find their mortgage payments less affordable. The Society carries out careful affordability assessments as part of its underwriting processes to mitigate this risk. ▪ Market Risk: Bank of England base rate has begun to rise in response to growing inflationary pressures. This rising rate environment is increasing the cost of new interest rate swaps that the Society uses as part of its interest rate risk management, which could compress net interest margin on new loans. The Society regularly reviews product profitability and adjusts the pricing of new and retention products to ensure an adequate return is generated. The Society considers a forward view of profitability, when assessing rate changes on savings products, and in setting the level for its mortgage SVR in response to any Bank Rate change. Operational: The requirement for a significant increase in home-working, the introduction of Covid-friendly working practices for the Society's branches and head office, changes to cyber risk, the slower delivery of third party services and the impact of increased customer support, have resulted in a degree of change to the Society's operational practices. In order to address the potential risk that has arisen from these changes, additional controls have been introduced which include system strengthening and ensuring the scope of second-line assurance work includes the changes.

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.

CLIMATE CHANGE

In 2019 the Prudential Regulatory Authority published a Supervisory Statement (3/19 – 'Enhancing banks' and Insurers' approaches to managing the financial risks from Climate Change'). Since its publication the Society has committed to understanding the risks posed by Climate Change, from both its own carbon footprint, through to the risks associated with the properties on which our mortgages are secured.

ACTIONS TO DATE

Climate change has been embedded into Senior Management Functions, with the CEO having the main accountability for the development and implementation of governance arrangements and the progression of the Society's Green agenda. Climate Risk is seen as a key emerging risk, and forms part of discussions at Executive Management, Risk Committee and Board.

The Society has identified that the primary risk associated with climate change is that the properties held as security become un-mortgageable, or have their value impacted due to climate change. This can be as a result of an exposure to the physical risks associated with climate change, such as an increased risk of flooding or subsidence, or from an exposure to the transitional risks relating to a change in regulation on minimum energy efficiency standards for homes, or a reduced value or demand for those homes that are less energy efficient.

The Society commissioned an independent report in early 2021 to model the physical and transitional risks in the mortgage assets, projecting the likely impact under a high emissions scenario by 2050. The results were factored into the annual assessment of capital adequacy, and showed that the Society has a negligible exposure to the risk of flooding or subsidence across its mortgage assets, and benchmarks well when the energy efficiency of the mortgage assets is considered.

The Society has introduced the following to help improve its own carbon footprint:

ENERGY USAGE

- Upgraded the windows to double glazing at its Head Office, with further improvements planned across the branch network in due course
- Installation of LED lighting in Head Office and in 2 of the branches
- Occupancy sensor lighting introduced in Kitchen areas and newly refurbished ground floor of Head Office
- Electricity now obtained from a provider who uses renewable sources
- A battery recycling programme introduced

WASTE MANAGEMENT

- Recycling of all confidential waste material
- Mixed recycling points introduced at Head Office
- A reduction in unnecessary printing using the follow-me printing function
- Re-use of scrap paper rather than purchasing new notepads

MATERIALS

- Removal of plastic cups from all employee water coolers

PRODUCTS AND LENDING

- Actively supporting self-build mortgages using Modern Methods of Construction

FUTURE PLANS

The Society will continue to develop the knowledge and awareness across the Board and Executive management on climate change matters. During H1 2022 we will be engaging with a regional firm of energy consultants, to assess our own carbon footprint based on Scope 1, 2 and 3 direct and indirect emissions. This will measure our emissions based on Natural Gas consumption and the purchase of electricity, travel using company owned vehicles, water consumption, and employee business travel including commuting.

The Society expects to report on this annually, and it is likely that a baseline year of 2019 will be used due to the impact that COVID-19 has had on working patterns throughout 2020 and 2021, when a shift in working patterns will have materially impacted the true position in respect of the Society's footprint.

STRATEGIC REPORT (CONTINUED)

In terms of future developments, the Society has a long term ambition for its operation to be carbon neutral, and there are a number of activities being considered which will contribute to this, together with a wider commitment to supporting a programme of actions which will have a positive impacts on the environment from both a member, community, and Society perspective:

- Identify further activities to reduce waste, water and energy usage
- Embed 'green' credentials across all relevant policies
- Look to reduce emissions based on the report produced by our consultants, establishing targets where appropriate
- Ongoing review of Mortgage Assets' exposure to Flood Risk and Subsidence, and transitioning to an improved position of the average EPC ratings on properties funded by mortgages from the Society
- Provide information to members on how to improve EPC ratings
- Develop 'green' mortgage and savings products
- Consider funding a Green Education programme
- Support for environmentally friendly or sustainability projects in the community

DIRECTORS' REPORT

The Directors are pleased to present their annual report together with the Society's Accounts and Annual Business Statement for the year ended 31 December 2021.

INFORMATION PRESENTED IN OTHER SECTIONS

Certain information required to be included in a Directors' report can be found in other sections of the Annual Report and Accounts as described below. All the information presented in these sections is incorporated by reference in the Directors' report and is deemed to form part of this report.

BUSINESS OBJECTIVES AND ACTIVITIES	Strategic report (pages 8 to 17)
BUSINESS REVIEW AND FUTURE DEVELOPMENTS	Strategic report (pages 8 to 17)
PRINCIPAL RISKS AND UNCERTAINTIES	Strategic report (pages 8 to 17)
DISCLOSURE REQUIREMENTS UNDER CRD IV COUNTRY-BY-COUNTRY REPORTING	Note 33 to the Accounts (page 78)
DISCLOSURE OF FREE CAPITAL AND GROSS CAPITAL AS A PERCENTAGE OF SHARE AND DEPOSIT LIABILITIES	Annual Business Statement (pages 79 to 82)
MORTGAGE ARREARS	Strategic report (pages 8 to 17)

DIRECTORS

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

NON-EXECUTIVE DIRECTORS	
Alison Chmiel, FCMA	Chair (Appointed as Chair 24.06.21)
Nick Baxter, DipM, DipMan (Open)	Vice Chair and Senior Independent Director (Appointed as Vice Chair 11.01.21)
Colin Bradley, ACA, ACIB	
Rob Clifford, CertPFS	(Retired 27.01.22)
Jeremy Cross, FCA	(Chair until 24.06.21)
Rachel Haworth, FCIM	(Appointed 16.12.21)
Lucy McClements, FCCA	
Keith McLeod, ACA	(Appointed 16.12.21)

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

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

At 31 December 2021 no director held any interest in the shares or debentures of any connected undertaking.

OTHER MATTERS

CREDITOR PAYMENT POLICY

The Society does not follow a formal code or standard on payment practice. Instead, the Society has continued with its policy of ensuring payments to trade creditors are made promptly within the agreed terms of credit, once the contractual obligations of the supplier have been discharged. Amounts due to creditors as at 31 December 2021 represented 1 day (2020: 2 days).

AUDITOR

The Board is recommending that BDO LLP be reappointed as auditor for the year ended 31 December 2022 and a resolution for their appointment will be proposed to the Society's forthcoming Annual General Meeting.

EVENTS SINCE THE YEAR END

The directors do not consider that any event since the year end has had a material effect on the position of the Society. In reaching this conclusion, the directors have given due consideration to the ongoing Covid-19 pandemic.

POLITICAL DONATIONS AND GIFTS

The Society has not made any political gifts or donations in the year to 31 December 2021 (2020: £nil).

GOING CONCERN

The directors have considered the risks and uncertainties outlined on pages 14 and 15 and the extent to which they might affect the preparation of the annual report and accounts on a going concern basis.

The Society's future plans have been discussed by the Board and outlined on pages 12 and 13. Furthermore the Society's forecasts and plans, taking account of current and possible future operating conditions, have been subjected to stress tests and scenario analysis and indicate that the Society has sufficient operating liquidity and capital for the foreseeable future. These stress tests included scenarios related to Covid-19.

The Covid-19 assessment, which focused on the Society's capital and liquidity position and operational resilience, included the following actions:

- The Society's capital position was assessed against the ICAAP stress scenarios, incorporating Covid-19 economic forecasts. The assessment included reverse stress testing scenarios to consider which combinations of house price inflation and unemployment variables would consume regulatory capital in full and breach the Society's regulatory capital requirements. The Directors concluded the likelihood of those scenarios occurring within the next 12 months was remote.
- The Society's liquidity position was assessed against the ILAAP stress scenarios, reviewed for suitability in the context of Covid-19.
- Operational resilience was assessed, including the ability to achieve adequate health and safety standards with respect to Covid in the Society's head office and branches, and to continue to support significant levels of home working.

After considering all of this information, together with available market information and the Directors' knowledge and experience of the Society and markets in which it operates, the Directors are satisfied that the Society has adequate resources to continue as a going concern for a period of at least 12 months from the signing of the accounts. For this reason the accounts are prepared on a going concern basis.

PILLAR 3 DISCLOSURES

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

On behalf of the Board of Directors

Alison Chmiel
Board Chair
25 February 2022

CORPORATE GOVERNANCE REPORT

The Society has regard to the principles of the Financial Reporting Council's UK Corporate Governance Code, last updated in July 2018. The following pages outline the key principles of the code and the Board's response.

BOARD LEADERSHIP AND SOCIETY PURPOSE

Code Principle A:

A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

The Board has collective responsibility for safeguarding the interests of members. It operates effectively by directing the business of the Society, by developing and monitoring strategic matters, such as the Corporate Plan and business objectives, and reviewing and approving policy.

The Board considers the opportunities and risks to strategy, and the resulting implications on the future success of the Society, through the Corporate Planning process. This includes assessing how the Society maintains its financial strength in a sustainable way over the long-term within the constraints of operating in a challenging market environment. One element of overall strategy is the continuing investment in people, processes and technology to ensure long-term capability to deliver sustainable balance sheet growth whilst remaining operationally resilient and improving customer access to products and services.

Delivery of strategy is overseen through an established governance framework embedded within a transparent culture where constructive challenge is encouraged with the aim of delivering improvements for the benefit of members. In 2021 the Board met nine times to closely monitor the Society's business performance. In addition, ad hoc meetings were held in January (to confirm Nick Baxter as the new Vice Chair, Senior Independent Director and Whistleblowers' Champion and to discuss the ongoing impact of the Covid-19 pandemic), February (workshop to discuss Climate Change and Liquidity) and October (workshop to discuss the Society's Recovery Plan).

Code Principle B:

The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The Board is responsible for setting the purpose, values and strategy of the Society and ensuring that these are aligned to the culture of the organisation. In order to achieve these aims the Board usually consists of six non-executive directors (including the Chair) and two executive directors who have the collective responsibility for ensuring that the affairs of the Society are managed competently and with integrity. As at 31 December 2021, the Board consisted of eight non-executive directors due to the temporary increase whilst we transition two new members onto the Board and retire two existing directors. The Board views all the non-executive directors as being independent in character.

During the year, the Board formalised the Society's purpose as 'Providing homes for people and their savings, helping to create a sustainable future'.

Code Principle C:

The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Through the Corporate Planning process, and ongoing monitoring of performance, the Board ensures that the Society has sufficient resources to enable the Senior Leadership Team to deliver the Corporate Plan objectives and goals. Monitoring of performance and risk is through an established governance framework which includes delegation of certain matters to Board sub-committees.

The Board has four sub-committees, as outlined below, which assess proposals in detail and make recommendations to the full Board. The Terms of Reference for committees are available on the Society's website. Proceedings of all committees are formally minuted and minutes are subsequently considered by the full Board.

NOMINATIONS COMMITTEE

The Nominations Committee meets at least annually or at any other time determined by the Committee. The principal functions are to review the independence, structure, skills, knowledge, fitness and propriety and performance of the Board. It also makes recommendations on Board succession planning and election of directors.

The Committee met three times in 2021 and Committee members during the year were Jeremy Cross (Chair – last meeting 25.02.21), Alison Chmiel (Chair – first meeting 24.06.21), Nick Baxter, Rob Clifford (last meeting 24.06.21), and Lucy McClements (first meeting 16.12.21). Paul Wheeler (Chief Executive) and Jill Watson (Governance Executive) were attendees during the year.

REMUNERATION COMMITTEE

The Committee meets three times each year. It is responsible for the remuneration policy for all directors of the Society. The Committee also makes recommendations to the Board regarding remuneration and contractual arrangements for both the Society's executive/senior management team and Remuneration Code colleagues. In addition, the Committee reviews, at a strategic level, the quality and effectiveness of the people resources deployed within the Society.

Committee members during the year were Nick Baxter (Chair), Jeremy Cross, Alison Chmiel and Rachel Haworth (member from 16.12.21).

Meetings of the Committee were also attended, as appropriate, by Chief Executive, Finance Director, Governance Executive and the Head of HR, who withdraw from the meeting when their own remuneration is being considered, or on request.

Further information on the role of the Remuneration Committee is included within the Directors' Remuneration Report on pages 29 to 31.

AUDIT AND COMPLIANCE COMMITTEE

This Committee meets quarterly and considers regulatory compliance matters and the adequacy of internal controls. It has specific responsibility for the monitoring of the external auditor's independence, objectivity, competence and effectiveness. This Committee also reviews audit reports, monitors the relationship with both internal and external auditors, agrees the annual internal audit plan and ensures that the systems of accounting, business control and management of information are adequate for the needs of the Society.

The Committee has responsibility for the financial reporting of the Society and this includes review of accounting policies and the integrity of these financial statements.

The Committee also has responsibility to ensure that auditor objectivity is maintained where the external auditor provides additional non audit services.

Committee members during 2021 were Colin Bradley (Chair), Alison Chmiel (member until 30.09.21, attendee 25.11.21) Lucy McClements and Jeremy Cross (attendee until 30.09.21, member 25.11.21). All members of the committee have appropriate financial business knowledge. The meetings are attended by representatives from internal and external audit, together with the Chief Executive, Finance Director, Board Chair, Governance Executive and Risk Executive.

A report from the Audit and Compliance Committee is included on pages 27 and 28.

RISK COMMITTEE

The Committee meets four times a year and is responsible for the oversight and challenge of the Society's risk management framework to identify, manage and mitigate the risks that could impact the Society. The Committee reviews risk assessments, risk limits and risk mitigation policies in accordance with the overall risk appetite of the Society.

The Committee also considers the Lending Policy, Financial Risk Management Policy, Liquidity Policy and other key risk documents including Board Risk Policy in detail.

Committee members during 2021 were Alison Chmiel (Chair until 29.04.21, attendee from 29.07.21), Colin Bradley, Rob Clifford, Nick Baxter, Lucy McClements, Jeremy Cross (attendee until 29.04.21, Chair from 29.07.21), Keith McLeod (member from 16.12.21), Daniel Jones and Paul Wheeler. Dave Newby attended as Risk Executive.

CORPORATE GOVERNANCE REPORT (CONTINUED)

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The table below shows the number of meetings of the Board and its Committees at which each director was present and the total number of Board and Committee meetings held during the year.

	NUMBER OF MEETINGS / NUMBER OF MEETINGS ATTENDED				
	BOARD	NOMINATIONS COMMITTEE	REMUNERATION COMMITTEE	RISK COMMITTEE	AUDIT AND COMPLIANCE COMMITTEE
Number of Meetings	9	3	3	4	4
NON-EXECUTIVE DIRECTORS					
Jeremy Cross	9	1^	3	4^	4^
Alison Chmiel	9	2^	3	4^	4^
Colin Bradley	9	*	*	4	4
Rob Clifford	7	2	*	4	*
Nick Baxter	9	3	3	4	*
Lucy McClements	9	1^	*	4	4
Rachel Haworth	1^	*	*	*	*
Keith McLeod	1^	*	*	*	*
EXECUTIVE DIRECTORS					
Paul Wheeler	9	3*	3*	4	4*
Daniel Jones	9	*	3*	4	4*

* Denotes not a member of the Committee, displayed with a number denotes an attendee of the Committee
^ Denotes one of the changes noted below:

- On 25.02.21 Jeremy Cross left the Nominations Committee.
- On 24.06.21 Jeremy Cross stepped down as Board Chair and Alison Chmiel was appointed Board Chair and Chair of the Nominations Committee.
- On 29.07.21 Jeremy Cross was appointed Chair of the Risk Committee and Alison Chmiel stepped down as Chair of the Risk Committee, becoming an attendee.
- On 25.11.21 Jeremy Cross was appointed as a member of the Audit and Compliance Committee and Alison Chmiel stepped down as a member of the Audit and Compliance Committee, becoming an attendee.
- On 16.12.21 Rachel Haworth and Keith McLeod were appointed to the Board and Lucy McClements joined the Nominations Committee as a member.

Code Principle D:

In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

As a mutual organisation the Society's membership consists of individuals who are also the Society's customers. The Society is committed to dialogue with members through regular newsletters, questionnaires and events attended by executive and non-executive directors. The purpose of this dialogue is to understand our members and better serve their needs.

Each year the Society sends details of the AGM to all members who are entitled to vote. Members are encouraged to vote and can do so in a number of ways. Members can vote on-line by visiting mansfieldbs.co.uk and following the instructions, by completing a proxy form and returning it to the Society by an agreed deadline, or by attending the AGM itself, which is usually held in the late afternoon to aid attendance. It is noted that the arrangements were slightly different for the 2021 AGM, due to the Covid-19 situation. For a number of years the Society has encouraged members to vote by linking the number of votes cast to a donation to local charities. This year (2022) the Society will donate 50 pence per vote cast to Nottinghamshire Mind. In addition, in line with the Society's desire to protect the environment, a further 50 pence donation will be made for any member who chooses to receive future AGM information by email.

All Board members are present at the AGM unless there are exceptional circumstances that prevent attendance. Under normal circumstances, Board members meet with members and community representatives both before and after the meeting and answer questions on both a formal and informal basis. This year the Society is again requesting questions by email, with the answers to the most common questions being published on the Society's website.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Code Principle E:

The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Through its governance structure the Board approves various policy documents which relate to employees, including matters such as equality and diversity, whistleblowing, and remuneration. The Remuneration Committee receives management information which provides regular insight into employee matters, including turnover, sickness and performance. The Society has a clear employee grievance and disciplinary process which includes the ability to whistle-blow and raise matters of concern with the Senior Independent Director.

The Society operates a Colleague Forum which has representatives from across the business and is chaired by a member of staff. The Colleague Forum meets quarterly and raises any issues or concerns with the Executive Committee. The Chair of the Remuneration Committee has been appointed as the Colleague Champion by the Board and meets regularly with the Colleague Forum Chair as well as other employees where relevant.

The Colleague Forum Chair has access to members of the Remuneration Committee and formally meets with them annually. The Chief Executive leads a culture which also encourages employees to raise matters of concern with their direct line manager and then senior manager, and then directly with him where matters have still not been resolved satisfactorily. The Society's purpose, vision and values are shared with employees who also have access to regular Cascade Communications with the Executives and, through a programme of regular business (or virtual) visits, with all non-executive directors.

DIVISION OF RESPONSIBILITIES

Code Principle F:

The Board Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Board Chair facilitates constructive Board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

THE BOARD CHAIR

The Board Chair sets the direction and culture of the Board, facilitating effective contribution from directors, maintaining constructive relations between executive and non-executive directors and ensuring that directors receive accurate, timely and clear advice and information. The current Board Chair was appointed in June 2021 and has been a member of the Board for nine years.

Code Principle G:

The Board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.

The offices of Board Chair and Chief Executive are distinct and held by different people. The Board Chair is responsible for leading the Board. The day to day conduct of the Society's business is entrusted to the Chief Executive and his senior management colleagues within the policies established by the Board.

THE COMPOSITION OF THE BOARD

The non-executive directors are independent in character and judgement and are not employees of the Society. The Board Chair has served on the Board for nine years. All directors bring a wealth of experience and diversity of business perspective and objectivity which complements the 'hands on' expertise of their executive director colleagues.

In line with the UK Corporate Governance Code, the Society's Board has appointed Nick Baxter as the Senior Independent Director. The appointed director is available to members if they have concerns, which contact through the normal channels of Board Chair, Chief Executive or Secretary has failed to resolve, or for which such contact is inappropriate.

Code Principle H:

Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

NON-EXECUTIVE DIRECTORS

The Board provides an independent and constructive challenge to the executive team with regard to the strategy and business performance of the Society. They ensure that the interests of the members are maintained and that the Society is fully compliant with all regulations. This requires time commitment for both attendance at Society meetings and continued development of their knowledge and skills relating to the building society sector. Each year the Board carries out a specific, formal review of Society strategy.

COMMITMENT

Non-executive directors are required to commit a minimum of three days per month to their Board responsibilities. Directors are informed of the time commitment in the letter of appointment. The Board evaluates the ability of directors to commit the time required for their role, prior to appointment. The formal appraisal process carried out by the Board Chair each year also assesses whether directors have demonstrated this ability during the year. The attendance record during the year of Board and Committee members is set out on page 22.

Code Principle I:

The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

INFORMATION AND SUPPORT

All directors are provided with clear, timely and accurate information for the effective conduct of business, including an established list of items for review and regular financial updates.

All directors are entitled to seek independent professional advice at the Society's expense and have access to the services of the Secretary.

COMPOSITION, SUCCESSION AND EVALUATION

Code Principle J:

Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

APPOINTMENTS TO THE BOARD

The composition of the Board is kept under review with the aim of ensuring that the Board collectively possesses the necessary skills and experience for the proper direction of the Society's business activities. The Board believes that individual directors have a range of skills and experience which is appropriate for the management of the Society. The Board also has a well-documented and approved succession plan which will ensure that the Board is refreshed with new members without jeopardising the stability of the Board.

The Society has a well-developed process for recruiting non-executive directors which includes advertising on relevant websites and in appropriate publications and utilising search consultants. The search and selection process involves the whole Board and is supported with a clear definition of the experience and the required skill set for the role. The Society recognises, values and promotes diversity and is committed to protecting all employees. The Society has put in place a Board Composition Policy (available on the Society's website) to demonstrate that this commitment extends to members of the Board. Appointments to the Board will, however, continue to be based on merit and on the skills and experience required within the Board as a whole subject to a minimum target of 25% of the Board being from the under-represented gender. The under-represented gender constituted 30% of all Board members (and 37.5% of non-executive directors) at the end of 2021. All new directors appointed are subject to election by the members at the next Annual General Meeting of the Society following their appointment.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Code Principle K:

The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.

RE-ELECTION

The Society's Rules require all directors to submit themselves for election by the members at the first opportunity after their appointment and, in the interests of clarity for our members, for re-election every year, subject to satisfactory performance.

All directors must meet the test of fitness and propriety as laid down by the appropriate regulator and each director fulfilling a Senior Management Function must be approved by the Prudential Regulation Authority and Financial Conduct Authority.

DEVELOPMENT

All directors are given appropriate training following their appointment and are encouraged to attend industry events, seminars and training courses to maintain an up to date knowledge of the industry and the regulatory framework within which the Society operates.

The Society also operates a continuous training programme for the Board and Senior Management to ensure that skills are maintained and new regulatory requirements are clearly understood.

Code Principle L:

Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

EVALUATION

All directors are subject to an individual annual performance review including an evaluation against a skills matrix to identify any future training and/or recruitment requirements. There is also an annual evaluation of the effectiveness of the Board and each sub-committee as a whole. During 2021 a Culture audit was performed by Deloitte and the Society entered the Best Companies accreditation process. Both these processes involved an assessment of the Leadership of the Society by the Board.

The Society has a formal performance evaluation system for all colleagues including the executive directors. The Chief Executive holds a performance review with the senior managers including the Finance Director. The Board Chair reviews the Chief Executive's performance and reports to the Board. A performance evaluation system for non-executive directors, including the Board Chair, has been in operation for several years. In 2021 this included 360° feedback completed by each individual director. The Board Chair reviewed the output of all questionnaires and used these as a basis for an appraisal interview with each non-executive director. The Senior Independent Director supported by the other non-executive directors, undertook the appraisal interview for the Board Chair. This procedure identifies any individual and Board training requirements and provides the evidence for the Board as to whether to recommend to members that a director should be re-elected.

AUDIT, RISK AND INTERNAL CONTROL

Code Principle M:

The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

AUDIT AND COMPLIANCE COMMITTEE AND AUDITORS

The Audit and Compliance Committee Report on pages 27 and 28 explains how the Society applies the Code Principles relating to corporate reporting and internal control.

Code Principle N:

The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

FINANCIAL CONTROL

The Board believes that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for members to assess position and performance, strategy and the business model of the Society.

The responsibilities of the directors in relation to the position and preparation of the Society's accounts and the statement that the Society's business is a going concern are contained in the Statement of Directors' Responsibilities on page 32.

The Audit and Compliance Committee Report on pages 27 and 28 describes the main areas of accounting judgement considered by the Audit and Compliance Committee.

Code Principle O:

The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board Risk Committee has been delegated responsibility for oversight of risk management for the Society.

The Risk Committee conducts a separate annual review of the risk appetite and the Board Risk Policy and also reviews on a quarterly basis the effectiveness of the controls in place for managing key risks. The Board has delegated the responsibility for managing the system of internal controls, which includes those specifically relating to risk management, to senior management. The internal control system can provide only reasonable and not absolute assurance against material mis-statement or loss. The Society's internal audit function has been outsourced to Deloitte LLP during 2021, and as of January 2022, RSM will act as the Society's internal auditors. The internal auditors provide independent assurance to the Board regarding the effectiveness of internal controls, reporting through the Audit and Compliance Committee.

REMUNERATION

The Directors' Remuneration Report on pages 29 to 31 explains how the Society pays regard to the Code Principles relating to remuneration.

Alison Chmiel
Board Chair
25 February 2022

AUDIT AND COMPLIANCE COMMITTEE REPORT

This report explains how the Society applies the principles of the UK Corporate Governance Code July 2018 (the Code) relating to the operation of the Audit and Compliance Committee and the system of internal control. The report details how the Committee discharged its responsibilities in line with the provisions of the 2016 version of the Financial Reporting Council's 'Guidance on Audit Committees'. In particular it details the significant issues reviewed and concluded on including the Committee's assessment of those areas on which accounting judgement was exercised. The Audit and Compliance Committee met four times last year, which included approving the year end accounts, and also met with the external and internal auditors without the Executive Directors being present.

The Committee acts independently of the Executive to ensure that the interests of members are properly protected in relation to financial reporting and internal control. All of the current members of the Committee are independent non-executive directors with extensive experience of the financial services sector. The Chair of the Committee is a Chartered Accountant with significant, relevant accounting and audit competence. The Committee has reviewed the collective skills of its members and concluded that the balance of skills, knowledge and experience of the Committee is appropriate.

All minutes of the Audit and Compliance Committee are made available to all Board members and the Chair of the Audit and Compliance Committee updates the Board after each meeting, prior to the minutes being received.

Throughout the year the Committee reviews its own performance and that of the internal and external auditors.

FINANCIAL AND BUSINESS REPORTING

The Audit and Compliance Committee has oversight of Financial Reporting within the Society. As such it is charged with monitoring the integrity of the Society's financial statements and reviewing critical accounting policies, judgements and estimates. This includes reviewing the appropriateness of the going concern basis for preparing the accounts and advising the Board whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable.

The Committee also paid particular attention during the year to the following matters which are important by virtue of their potential impact on the Society's results, particularly because they involve a high level of complexity, judgement or estimation by management:

PROVISIONING FOR LOAN IMPAIRMENT - The Committee monitored loan impairment provisions by considering key assumptions contained in the Society's provisioning model and the relevant disclosure in the Report and Accounts. In particular, the Committee considered and challenged the assumptions adopted, and has satisfied itself with the level of impairment provisions made for the mortgage portfolio.

EFFECTIVE INTEREST RATE - Interest income on the Society's mortgages is measured under the effective interest rate (EIR) method. The application of the EIR method of accounting requires judgement and the accounting entries involve estimates based on key assumptions, particularly around the behavioural life of products and requires management to make a number of financial modelling estimates. The Committee has examined the approach taken including the revised mortgage product lives, and has satisfied itself that the estimates and accounting treatment are appropriate.

HEDGE ACCOUNTING - The Society has implemented hedge accounting in line with IAS 39. The designated macro hedges require matching, hedge effectiveness documentation and testing; and fair valuing both the hedging instrument and the underlying hedged item. During 2021, as required by the Bank of England, the Society proactively completed its transition from LIBOR denominated swaps to SONIA swaps prior to the deadline date. The transition had an immaterial impact on the accounts. The Committee considered the appropriateness of the hedging arrangements and the fair value processes in respect of hedging instruments and the underlying hedged items. The Committee agreed that hedge accounting had been applied in accordance with IAS 39.

PENSION - The Society operates a defined benefit pension scheme, which is currently closed to new members. The Audit Committee reviews the assumptions which are used in the calculation of the scheme's liabilities. The surplus for the scheme and the assumptions behind its calculation are outlined in note 31 to the accounts.

STATUTORY AUDIT

The Committee considered matters raised during the statutory external audit, through discussion with senior management of the business and the external auditor, and concluded that there were no adjustments required that were material to the financial statements. In light of its enquiries above, the Committee is satisfied that, taken as a whole, the 2021 Report and Accounts are fair, balanced and understandable and provide a clear and accurate presentation of the Society's position and prospects. In particular ensuring this year that the ongoing impacts of the Covid-19 pandemic on the Society are adequately disclosed in the financial statements.

AUDIT AND COMPLIANCE COMMITTEE REPORT (CONTINUED)

AUDIT AND COMPLIANCE COMMITTEE AND AUDITORS

The Society recognises the importance of good systems of internal control in the achievement of its objectives and the safeguarding of its assets. Good internal controls also facilitate the effectiveness and efficiency of operations, help to ensure the reliability of internal and external reporting, and assist in compliance with applicable laws and regulations. Management are responsible for designing an appropriate internal control framework whereas the Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation of this framework.

Consistent with these responsibilities, the Committee undertook the following activities during 2021 to satisfy itself over the robustness of the internal control framework:

COMPLIANCE - The Society's Compliance function provides second line assurance on activities across the Society. The outputs of Compliance activities are reported to the Committee, together with progress updates on management's implementation of the findings. During the year, the Committee approved and monitored the Compliance function's annual plan of work.

INTERNAL AUDIT - The Society's Internal Auditors (Deloitte LLP) provide independent assurance to the Board, via the Audit and Compliance Committee, on the effectiveness of the internal control framework. The information received and considered by the Committee during 2021 provided assurance that there were no material breaches of control and that the Society maintained an adequate internal control framework that met the principles of the UK Corporate Governance Code. The Committee is also responsible for agreeing the annual budget for the Internal Audit service and for approving its annual risk based plan of work. Internal Audit provides the Committee with reports on its findings and recommendations as well as updates on the progress made by management in addressing these findings, including verification that actions have been accurately reported as complete. The Committee is satisfied that, throughout 2021, Internal Audit had an appropriate level of resource to deliver its plan of work and that it discharged its responsibilities effectively.

During the year the committee carried out a tender for the provision of internal audit and RSM were appointed to take effect from January 2022, replacing Deloitte who had been in post for 9 years.

EXTERNAL AUDIT – Following approval by the members at the 2020 AGM, BDO LLP were re-appointed as external auditors for the year ending 31 December 2021. The Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the external auditor, BDO, agreeing its remuneration and terms of engagement, and making recommendations to the Board on the appointment, reappointment or removal of the external auditor as appropriate. As part of the external audit process, BDO will highlight any material control weaknesses that come to their attention. The Committee is also responsible for monitoring the performance, objectivity and independence of the external auditor. This is addressed via evidence provided by the external auditor as well as a review performed by each member of the Committee. The Committee is also responsible for ensuring that the policy regarding the external audit firm providing non-audit services is appropriately applied. The external auditors work includes a review of IT controls relating to the financial reporting.

BDO will be proposed for reappointment to the members at the AGM in April 2022.

Colin Bradley
Chair of the Audit and Compliance Committee
25 February 2022

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 was:

Nick Baxter – Committee Chair
Jeremy Cross
Alison Chmiel
Rachel Haworth (appointed 16.12.21)

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

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

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

POLICY FOR EXECUTIVE DIRECTORS

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

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

BONUS – the two executive directors are entitled to a medium term bonus which is a non-pensionable, performance related cash bonus, payable on achievement of Board specified key performance indicators and personal objectives which include risk management objectives. Performance is based on a one year period with 50% of the payment being deferred equally over the following two years. The deferred payment is subject to additional medium term performance objectives. Payment is not guaranteed and the maximum bonus is 20% of basic salary. Given the strong performance during 2021, the two executive directors have earned 18% of basic salary as reward under this scheme.

PENSIONS – the executive directors are entitled to a Group Personal Pension Plan which is available for all colleagues. The rate of contribution from the Society differs between the executive directors and other colleagues which is not in line with the most recent corporate governance guidelines. The contributions paid are 12% for the CEO 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. The Society has recently introduced an improved pension contribution for employees which pays up to 7% from the Society. This reduces the gap between contributions made for executives and other colleagues and the Society is committed to further reducing this in future years with a view to eliminating the difference.

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 2021.

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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. 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 2021 are shown below:

	2021 £000	2020 £000
Non-executive directors' fees	167	165
Executive directors' remuneration	390	416
TOTAL	**557**	581

NON-EXECUTIVE DIRECTORS' FEES	2021 £000	2020 £000
Alison Chmiel (Board Chair from 24.06.21)	31	26
Jeremy Cross (Board Chair until 24.06.21)	31	35
Rob Clifford	25	26
Colin Bradley	26	26
Nick Baxter	26	24
Robert Hartley (retired 31.08.20)	-	16
Lucy McClements	24	12
Keith McLeod (appointed 16.12.21)	2	-
Rachel Haworth (appointed 16.12.21)	2	-
TOTAL	**167**	165

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2021 EXECUTIVE DIRECTORS	SALARY £000	SALARY IN LIEU OF PENSION £000	ANNUAL BONUS £000	DEFERRED BONUS £000	BENEFIT £000	PENSION £000	TOTAL £000
Paul Wheeler (CEO)[1]	148	-	14	14	19	35	**230**
Daniel Jones (Finance Director)[2]	108	-	10	10	14	18	**160**
TOTAL	**256**	**-**	**24**	**24**	**33**	**53**	**390**

2020 EXECUTIVE DIRECTORS	SALARY £000	SALARY IN LIEU OF PENSION £000	ANNUAL BONUS £000	DEFERRED BONUS £000	BENEFIT £000	PENSION £000	TOTAL £000
Paul Wheeler (Incoming CEO)[1]	138	-	8	8	17	33	204
Daniel Jones (Finance Director)[2]	107	-	6	6	13	16	148
Gev Lynott (Outgoing CEO)	54	3	-	-	7	-	64
TOTAL	299	3	14	14	37	49	416

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

Nick Baxter
Chair of the Remuneration Committee
25 February 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE ANNUAL BUSINESS STATEMENT, THE DIRECTORS' REPORT AND THE ANNUAL ACCOUNTS:

The Directors are responsible for preparing the Annual Report including the Strategic Report Annual Business Statement, Directors' Report and the Annual Accounts in accordance with applicable law and regulations.

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Annual Accounts for each financial year. Under that law the directors have elected to prepare the Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Annual Accounts are required by law to give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the income and expenditure of the Society for the financial year.

In preparing these Annual Accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Annual Accounts;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the annual accounts on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

In addition to the Annual Accounts, the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Society.

DIRECTORS' RESPONSIBILITIES FOR ACCOUNTING RECORDS AND INTERNAL CONTROLS

The directors are responsible for ensuring that the Society:

- keeps proper adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Society, in accordance with the Act; and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

WEBSITE PUBLICATION

The directors are responsible for ensuring the Annual Report and the Annual Accounts are made available on a website. Annual Accounts are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the Board of Directors

Alison Chmiel
Board Chair
25 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANSFIELD BUILDING SOCIETY

OPINION ON THE FINANCIAL STATEMENTS

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements of Mansfield Building Society ("the Society") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Interests, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

Following the recommendation of the Audit Committee, we were appointed by the Board of directors on 18 May 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. We were reappointed at the Annual General Meeting on 27th April 2021 to audit the financial statements for the year ended 31 December 2021. The period of total uninterrupted engagement is 2 years covering the years ended 31 December 2020 and 31 December 2021. We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by that standard were not provided to the Society.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Internal Capital Adequacy Assessment Process document (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and regulatory capital and liquidity requirements;
- Obtaining the Directors' assessment of the Society's Going Concern and challenging the assumptions and judgements made with regards to their forecast and stress tested scenarios. This included for sensitivity analysis around key assumptions and judgements such as loan book growth rates, costs, loan loss provisioning and interest rates in benchmarking to observable market data;
- Enquiring with the Directors' and assessing the implications of COVID-19 on the business and whether the impact thereof has been adequately factored into the Directors' assessment of going concern; and
- Enquiring with the Directors' and assessing the implication of changing capital requirements under Basel IV on the Society.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

		2021	2020
KEY AUDIT MATTERS	Revenue recognition (Effective Interest Rate)	✓	✓
	Impairment losses on loans and advances	✓	✓
MATERIALITY	£250,000 based on 0.75% of Net Asset Value (2020: 0.75% of Tier 1 Capital)		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the Society and its environment, including the Society's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER		HOW WE ADDRESSED THE KEY AUDIT MATTER IN OUR AUDIT
REVENUE RECOGNITION (EFFECTIVE INTEREST RATE ("EIR")) See Note 1: Interest Income, and Accounting estimates and judgements.	The Society's mortgage interest income is recognised using an effective interest rate ("EIR") method in accordance with the requirements of the applicable accounting standards. This method involves adjusting fee and interest income to ensure it complies with the EIR method. The models used to achieve this are complex and reliant on the completeness and accuracy of input data. Significant management judgement is also required to determine the expected cash flows for the Society's loans and advances within these models, in particular the expected behavioural life redemption profiles of the mortgages due to the impact on timing and quantum of expected future cash flows. Errors within the EIR models themselves or bias in key assumptions applied could result in the material misstatement of revenue together with the relevant disclosures required.	We assessed whether the revenue recognition policies adopted by the Society are in accordance with requirements of the accounting framework. This included an assessment of the types of fees and costs being spread within the effective interest rate models versus the requirements of the applicable financial reporting standard. We tested the completeness and accuracy of data and key model inputs feeding into the EIR models by agreeing samples back to the loan management system or source documents. This includes the data used in the historical behavioural life redemption profiles. We challenged management's segmentation of the behavioural life curves based on the different product types and the trends of more recent data which could impact the customer behaviour used for modelling the projected cash flows.

KEY AUDIT MATTER		HOW WE ADDRESSED THE KEY AUDIT MATTER IN OUR AUDIT
	Revenue recognition is therefore considered to be a significant risk area.	We assessed whether the spreadsheet models calculate the EIR adjustments as designed, by testing the integrity of the model calculations. We checked that the relevant interest income and effective interest rate disclosures made by management were appropriate and in line with accounting standards, and agreed the disclosures to supporting evidence. Key observations: We have not identified any indicators that the assumptions included in the EIR models are unreasonable in consideration of the Society's mortgage portfolio, historic behaviours and current economic and market conditions.
IMPAIRMENT LOSSES ON LOANS AND ADVANCES See Note 13 and Note 1 (critical estimates and judgements). The Society holds £476K of impairment provisions at year-end (2020: £777K).	The Society accounts for the impairment of loans and advances to customers using an incurred loss model. In accordance with the requirements of the applicable accounting standards, management has calculated two types of provisions. i. A specific provision is calculated for loans where there is an observable loss event. ii. A collective provision is recognised for loans which are impaired as at the year end date and, whilst not specifically identified as such, are known from experience to be present in any portfolio of loans. Estimating an appropriate loan loss provision requires significant management judgement in determining the value and timing of future cash flows. In particular, the assumptions related to the cash flows expected to be received from the sale of property following repossession, have the most significant impact on the calculation of the provision and this has therefore been identified as a significant risk, together with the relevant disclosures required.	Based on our assessment of controls, we relied on the system control that identifies loans in arrears. We tested the operating effectiveness of this control. We assessed the specific and collective provision methodology against the requirements of applicable accounting standards. Our testing on specific provisions included selecting a sample of loans and checking the collateral valuation on loan inception to the external valuations obtained by management. We tested the House Price Index (HPI) and the discount rate applied to the collateral valuations on inception in order to determine current valuations based on industry information available. We also tested the population of loans to gain comfort that all loans that meet the criteria for a specific provision have been included for specific provisioning. For the collective provision we tested the appropriateness of the key assumptions within this model such as impairment triggers, indexed property valuations, and probability of defaults

KEY AUDIT MATTER		HOW WE ADDRESSED THE KEY AUDIT MATTER IN OUR AUDIT
		through a combination of, independent recalculations and agreeing inputs to external data sources where applicable. We tested the completeness and accuracy of key model inputs by agreeing them back on a sample basis to underlying source data. We performed sensitivity analysis on the discount applied to the indexed collateral valuations and to the level of segmentation in the model. We reconciled the loan balances in the models to the Society's loan administration system to test whether the relevant loan populations were being considered for impairment. We tested the appropriateness of management's overlays (including impacts from COVID–19) through assessing the rationale for changes to the assumptions and risk segments identified. We obtained support for this where available or considered and challenged the basis of managements estimate by benchmarking with observable peer and market data. We checked that the impairment and sensitivity analysis disclosures made by management were appropriate and in line with accounting standards, and agreed the disclosures to supporting evidence. Key observations: We have not identified any indicators that the provision for loans and advances to customers is unreasonably estimated in consideration of the key assumptions and judgements made.

OUR OPINION ON MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2021	2020
MATERIALITY	£250,000	£228,000
BASIS FOR DETERMINING MATERIALITY	0.75% of Net Asset Value	0.75% of Tier 1 Capital
RATIONALE FOR THE BENCHMARK APPLIED	We determined that Net Asset Value was the most appropriate benchmark considering the different stakeholders. The benchmark was changed to net asset value as this is considered the UK GAAP measure which closely corresponds to regulatory capital, being the main driver for the Society as the purpose of the Society is to optimise rather than maximise profits.	Tier 1 capital was the most appropriate benchmark. In particular regulatory stability is considered to be a main driver for the Society as well as the purpose of the Society which is to optimise rather than maximise profits.
PERFORMANCE MATERIALITY	65%	65%
BASIS FOR DETERMINING PERFORMANCE MATERIALITY	This level was selected on the basis of our risk assessment in light of number of financial statement areas involving estimates and judgement and expected total value of known and likely misstatements.	This level was been selected to reflect our first year as auditors and overall assessment of auditing the Society.

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report all individual audit differences in excess of £5,000 (2020: £4,500) to the Audit Committee and any other differences that, in our view, warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANSFIELD BUILDING SOCIETY (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER BUILDING SOCIETIES ACT 1986 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Building Societies Act 1986 and ISAs (UK) to report on certain opinions and matters as described below.

ANNUAL BUSINESS STATEMENT AND DIRECTORS' REPORT	In our opinion, based on the work undertaken in the course of the audit: ▪ The annual business statement and the directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986; ▪ The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ▪ The information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given. In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION	We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion: ▪ adequate accounting records have not been kept; or ▪ the financial statements are not in agreement with the accounting records; or ▪ we have not received all the information and explanations we require for our audit.

OPINION ON OTHER MATTER PRESCRIBED BY THE CAPITAL REQUIREMENTS (COUNTRY-BY-COUNTRY REPORTING) REGULATIONS 2013

In our opinion the information given in note 33 for the financial year ended 31 December 2021 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Society and the industry in which it operates and considered the risk of acts by the Society which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Building Societies Act 1986, Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") regulations, pension legislation and tax legislation.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls and in relation to accounting estimates such as the EIR and loan loss provisioning.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, internal audit and the audit committee about compliance with relevant laws and regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the Financial Conduct Authority and the Prudential Regulation Authority for indication of any non-compliance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- in addressing the risk of fraud in accounting estimates, the procedures performed in the key audit matters section of our report, assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- obtaining an understanding of the control environment that the Society has in place for monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANSFIELD BUILDING SOCIETY (CONTINUED)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Society's members, as a body, in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report 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, for our audit work, for this report, or for the opinions we have formed.

Ariel Grosberg
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

25 February 2022

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 £000	2020 £000
Interest receivable and similar income	2	11,914	11,601
Interest payable and similar charges	3	(2,712)	(3,540)
Net interest income		**9,202**	8,061
Fees and commissions receivable	4a	127	133
Fees and commissions payable	4b	(183)	(95)
Other operating charges		(7)	(2)
Net gains/(losses) from derivative financial instruments	5	137	(62)
Total net income		**9,276**	8,035
Administrative expenses	6	(6,217)	(5,512)
Depreciation and amortisation	14 & 15	(360)	(392)
Operating profit before impairment provisions		**2,699**	2,131
Impairment provisions on loans and advances	13	300	(54)
Impairment losses on property	14	-	(151)
Provisions for liabilities	23	(120)	(63)
Profit before tax		**2,879**	1,863
Tax expense	9	(565)	(402)
Profit for the financial year		**2,314**	1,461

OTHER COMPREHENSIVE INCOME

	2021 £000	2020 £000
Total comprehensive income for the year	**2,314**	1,461

Profit for the financial year arises from continuing operations. Both the profit for the financial year and total comprehensive income for the period are attributable to the members of the Society.

The notes on pages 45 to 78 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	NOTE	2021 £000	2020 £000
ASSETS			
Cash in hand and balances with the Bank of England	10a	69,649	54,338
Loans and advances to credit institutions	10b	16,695	29,971
Derivative financial instrument assets	11	484	-
Loans and advances to customers	12	363,353	348,209
Tangible fixed assets	14	1,894	1,855
Intangible assets	15	284	378
Other debtors	16	457	444
Total assets		**452,816**	435,195
LIABILITIES			
Shares	17	322,203	319,127
Amounts owed to credit institutions	18	61,019	48,011
Amounts owed to other customers	19	34,462	34,842
Derivative financial instrument liabilities	11	91	834
Accruals and deferred Income	20	480	293
Other liabilities	21	601	594
Tax liabilities	21	310	179
Deferred tax	22	68	83
Provisions for liabilities	23	120	84
Total liabilities		**419,354**	404,047
RESERVES			
General reserves	26	33,462	31,148
Total reserves attributable to members of the Society		**33,462**	31,148
Total reserves and liabilities		**452,816**	435,195

The notes on pages 45 to 78 form part of these accounts.

These accounts were approved by the Board of Directors on 25 February 2022 and signed on its behalf by:

Alison Chmiel
Board Chair

Daniel Jones
Finance Director

Paul Wheeler
Chief Executive and Director

STATEMENT OF CHANGES IN MEMBERS' INTERESTS

	2021 General Reserve £000	2021 Total £000	2020 General Reserve £000	2020 Total £000
Balance at 1 January	31,148	31,148	29,687	29,687
Total comprehensive income for the period				
Profit	2,314	2,314	1,461	1,461
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	2,314	2,314	1,461	1,461
Balance at 31 December	**33,462**	**33,462**	31,148	31,148

The notes on pages 45 to 78 form part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2021 £000	2020 £000
Profit before tax		2,879	1,863
Adjustment for			
Depreciation and amortisation	14 & 15	360	313
Provision for Liabilities	23	120	64
Loss on disposal of fixed assets	14	7	230
(Increase)/ Decrease in fair value of derivative financial instruments & hedged items	5	(137)	62
(Decrease)/increase in impairment provisions on loans and advances	13	(300)	54
TOTAL		**2,929**	2,586
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Decrease / (Increase) in prepayments, accrued income and other assets		9	(2)
(Decrease) in accruals, deferred income and other liabilities		54	(577)
(Increase) in loans and advances to customers		(15,934)	(9,922)
Increase in shares		3,144	5,049
Increase / (Decrease) in amounts owed to other credit institutions and other customers		12,615	(4,970)
Decrease / (Increase) in loans and advances to credit institutions		13,520	(8,270)
Taxation paid		(448)	(367)
Net cash generated by / (used in) / generated by operating activities		**15,889**	(16,473)
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASE OF TANGIBLE FIXED ASSETS		(238)	(310)
Disposal of tangible fixed assets		-	100
Purchase of intangible fixed assets		(74)	(69)
Net cash used in investing activities		**(312)**	(279)
Net cash increase / (decrease) in cash and cash equivalents		**15,577**	(16,752)
Cash and cash equivalents at 1 January		62,327	79,079
Cash and cash equivalents at 31 December	10(a)	**77,904**	62,327

Contained within cash flow movement is £11,691,877 (2020: £11,608,091) of interest received and £2,711,597 (2020: £3,540,064) of interest paid.

The notes on pages 45 to 78 form part of these accounts.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

BASIS FOR PREPARATION

The Society annual accounts are prepared and approved by the directors in accordance with FRS102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) and those parts of the Building Societies Act 1986 and Building Societies (Accounts and Related Provisions) Regulations 1998 applicable to societies reporting under FRS102. The Society has also chosen to apply the recognition and measurement provisions of IAS39 (Financial Instruments: recognition and measurement).

The annual accounts are prepared under the historical cost convention as modified by the fair value of derivatives.

The accounts have been prepared on the going concern basis as outlined in the Directors' report on pages 18 and 19.

The preparation of accounts in conformity with FRS102 and IAS39 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

INTEREST INCOME AND EXPENSE

Interest income and interest expense for all interest bearing financial instruments are recognised in 'interest receivable and similar income' or 'interest payable and similar charges' using the effective interest rates of the financial assets or financial liabilities to which they relate. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying amount of the financial asset or liability.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by an allowance for impairment.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net income/losses from derivative financial instruments at fair value through profit or loss in the statement of comprehensive income.

FEES AND COMMISSIONS

If the fees are an integral part of the effective interest rate of a financial instrument, they are recognised as an adjustment to the effective interest rate and recorded in interest income/payable.

Other fees are recognised on an accruals basis when the service has been provided or on the completion of an act to which the fee relates.

Commission receivable from the sale of third party products is recognised upon fulfilment of contractual obligations, that is when policies go on risk or on completion of a transaction.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Society uses derivatives for risk management purposes. The Society does not use derivatives for trading purposes. Derivatives are measured at fair value in the statement of financial position. Fair values are obtained by applying market rates to a discounted cash flow model. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

In September 2019, the IASB issued amendments to IAS 39, IFRS 9 and IFRS 7 Financial Instruments: Disclosures to address uncertainties related to the market wide reform of interbank offered rates (IBOR reform). The amendments provide targeted relief for financial instruments qualifying for hedge accounting under IAS 39 or IFRS 9. The Society adopted these amendments in 2020.

In August 2020, the IASB issued further amendments to IAS39, IFRS9 & IFRS7, as part of the second phase of interest rate benchmark reform. These amendments addressed issues relating to financial statements in respect of changes, which are made to the contractual cashflows and hedging relationships of a financial instrument as part of this reform. The amendments allow for an entity to continue hedge accounting provided any changes to cashflows resulting in respect of interest rate reform remain economically equivalent to the original contract. If economic equivalency is demonstrated, any changes to financial instruments which result from interest rate transition do not therefore result in the derecognition of the financial instrument or a change in its carrying value. Hedge accounting is therefore permitted to continue provided the hedge continues to meet all other hedge accounting requirements. The Society adopted these amendments for its interest rate transition in 2021.

The Society designates derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Society formally documents the relationship between the hedging instruments and hedge items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Society makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within an effectiveness range of 80-125 percent.

FAIR VALUE HEDGES

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss, together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of comprehensive income as the hedged item).

FINANCIAL ASSETS

The Society classifies non-derivative financial assets as either Loans and Receivables or Held to Maturity assets. Management determines the classification of financial assets at initial recognition. No assets have been classified as Available for Sale.

LOANS AND RECEIVABLES

The Society's loans and advances to customers are classified as loans and receivables. Loans and advances to Credit Institutions are classified as financial assets at amortised cost. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Society measures its customer loans and receivables at amortised cost, using the effective interest method, less impairment. The initial value may, if integral to the effective interest rate, include certain upfront costs and fees such as procuration fees, mortgage indemnity guarantee premiums and arrangement fees, which are recognised over the expected life of mortgage assets. Mortgage discounts are also recognised over the expected life of mortgage assets as part of the effective interest rate. Throughout the year and at each year end, the mortgage life assumptions are reviewed for appropriateness. If there is a change in the mortgage life assumption, the future cash flows of the associated mortgages are reforecast over the revised expected life using the original effective interest rate. The resulting change in carrying value of the mortgages is recognised in interest receivable and similar income.

IMPAIRMENT OF FINANCIAL ASSETS NOT CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

ASSETS CARRIED AT AMORTISED COST

Throughout the year and at each year-end, individual assessments are made of all loans and advances against properties which are in possession or in arrears and/or are subject to forbearance activities or where the loan is interest only and there is no evidence of a repayment vehicle. Individual impairment provision is made against those loans and advances where there is objective evidence of impairment.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. In considering expected future cash flows, account is taken of any discount which may be needed against the indexed value of the property at the statement of financial position date thought necessary to achieve a sale and expected costs of realisation.

In addition the Society assesses whether there is objective evidence to suggest a financial asset or group of financial assets is likely to be impaired. Where a collective assessment is made, each category or class of financial asset is split into groups of assets with similar credit risk characteristics. The Society measures the amount of impairment loss by applying loss factors based on external credit reference data, industry/Society experience of default, the effect of movement in house prices and any adjustment for the expected forced sale value.

NOTES TO THE ACCOUNTS (CONTINUED)

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets, with the exception of freehold land and assets in the course of construction, at rates calculated to write off each asset over its expected useful life.

The straight line basis has been used in the following way:

FREEHOLD PREMISES	2% per annum
LEASEHOLD PREMISES	Over life of lease or useful life of the asset, whichever is shorter
MOTOR VEHICLES	25% per annum
COMPUTER EQUIPMENT	25% per annum
OFFICE EQUIPMENT	10% per annum or over the useful life of the asset if shorter

Depreciation is not provided on freehold land.

The Society assesses at each reporting date whether any tangible fixed assets are impaired. In the case of freehold premises, a valuation is carried out at least every three years, to inform this impairment assessment.

INTANGIBLE ASSETS

COMPUTER SOFTWARE

Purchased software and costs directly associated with the development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by the Society which will generate future economic benefits and where costs can be reliably measured.

Intangible assets are stated at cost less cumulative amortisation.

Amortisation begins when the asset becomes available for operational use and is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, which is generally between 3-6 years. The Society assesses at each reporting date whether any intangible fixed assets are impaired.

PENSION COSTS

The Society operates a personal pension plan that is open to all colleagues. For employees not wishing to join this plan there is a personal pension plan with a separate provider for auto enrolment purposes. Pension costs in respect of these plans are charged to the Statement of Comprehensive Income in the year in which contributions are payable. In addition, the Society operates a defined benefit pension scheme, the assets of which are held in a separate Trustee administered fund. The assets and liabilities are measured at fair value at each balance sheet date. Any resulting deficit is recognised immediately on the balance sheet net of deferred tax however any resulting surplus is not recognised in the balance sheet as the trust deed prevents the Society accessing any surplus funds unless the scheme were wound up. The Scheme has been closed to future accruals since 28 February 2007. Further details on pension schemes are provided in note 31 to the Accounts on pages 75 to 77.

TAXATION

The charge for taxation is based upon the profit for the year and takes into account taxation which is deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the full provision method. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, and is calculated at rates expected to be applicable when the liability or asset crystallises on a non-discounted basis. The rate used for deferred tax is the rate substantively enacted by the balance sheet date.

PROVISIONS

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

NOTES TO THE ACCOUNTS (CONTINUED)

OPERATING LEASES

The costs associated with operating leases are charged on a straight-line basis over the period of the lease.

LIQUID ASSETS

Treasury bills and debt securities are held to maturity and so are accounted for as financial fixed assets and accordingly shown at cost, adjusted for premium or discount on purchase amortised over the period to maturity. Where the directors consider there to be objective evidence that an impairment of a financial fixed assets has occurred, a provision is made to write down the cost of the asset to its recoverable amount.

Term Funding Scheme with additional incentives for SMEs (TFSME) – In order for the Society to access funding from the TFSME, mortgage assets are required to be pledged as collateral. Where the risk and reward of ownership of the mortgage assets remain with the Society they are retained on balance sheet. The interest received on these assets remains with the Society and is accounted for as earned on an accruals basis. Interest payable is accrued over the life of the agreement.

Cash and cash equivalents - for the purposes of the cash flow statement, cash and cash equivalents comprise highly liquid investments, that are convertible into cash and have an insignificant risk of change in value. Any debt securities included within cash equivalents must be marketable and have a maturity of less than 90 days.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Society makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are described below:

A IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

The Society reviews its mortgage advances portfolio at least every half year, to assess loan impairment. In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cashflows. Estimates are applied to determine prevailing market conditions (for example, house prices are adjusted for movement in valuations based on the Land Registry house price index), customer behaviour (for example, default rates) and the length of time expected to complete the sale of properties in possession. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions.

One key assumption is the estimate of the value of the property at the point of recovery and to the extent that house prices differ from that estimated by 5%, the impairment allowance on loans and advances would change by an estimated £0.21 million (2020: £0.21m). Another key assumption is the probability of default when an impairment trigger has been observed, and to the extent that the probability of default differs from that estimated by 5%, the impairment allowance on loans and advances would change by an estimated £0.02 million (2020: £0.03m).

The Credit Committee review the book annually to identify where there are idiosyncratic risks, which could lead to a customer not repaying their mortgage. This review aims to capture impairments that may not yet have led to the customer being in arrears. Such risks could exist, for example, if a customer has let us know that they are experiencing difficulties, or if our latest review of climate data suggests the property is at risk from flooding. Having identified these risk factors, the committee recommends adjustments to the likelihood of non-payment and the property value were the Society to need to take it in to possession. These adjustments are reviewed by the Audit and Compliance Committee and constitute management overlays.

The carrying value of mortgage assets is impacted by the assessment of any impairments. The carrying value of mortgage can be seen in note 12 on page 55 and 56.

B EFFECTIVE INTEREST RATES AND REVENUE RECOGNITION

When calculating the expected future cash flows of a mortgage, the expected life of that mortgage is key to this calculation as it determines the expected effective interest to be earned. In determining the expected life of mortgage assets, the Society uses historical redemption data as well as management judgement.

At regular intervals throughout the year, the expected life of mortgage assets is reassessed for reasonableness. Any variation in the expected life of mortgage assets will change the carrying value in the statement of financial position and the timing of the recognition of interest income.

A three month increase in the expected life profile of mortgage assets would result in an increase in the value of loans on the statement of financial position by approximately £0.11 million (2020: £0.12 million), and a corresponding increase in interest receivable. A three month decrease in the expected life profile of mortgage assets would result in a decrease in the value of loans on the statement of financial position by approximately £0.32 million (£2020: £0.27 million) and a corresponding decrease in interest receivable.

The carrying value of mortgage assets is impacted by the assessment of the effective interest rate and revenue recognition. The carrying value of mortgage can be seen in note 12.

C EMPLOYEE BENEFITS

The Society operates a defined benefit pension scheme, which is currently closed to new members. Significant judgements (on such areas as future interest rates, inflation rates and mortality rates) have to be exercised in estimating the value of the assets and liabilities of the scheme, and hence of its net surplus.

The assumptions and associated sensitivities are outlined in note 31 to the accounts on pages 75 to 77.

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000	2020 £000
On loans fully secured on residential property	11,931	11,762
On loans fully secured on land	345	35
Interest and other income on other liquid assets	127	278
Net expense on derivatives	(489)	(474)
	11,914	11,601

Included within interest income is £163,889 (2020: £151,029) in respect of interest income accrued on impaired loans, two or more months in arrears.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £000	2020 £000
On shares held by individuals	2,493	3,205
On deposits and other borrowings	219	335
	2,712	3,540

NOTES TO THE ACCOUNTS (CONTINUED)

4 FEES AND COMMISSIONS

A FEES AND COMMISSIONS RECEIVABLE

	2021 £000	2020 £000
Insurance commission	15	18
Other commissions	10	19
Fees receivable	102	96
	127	133

B FEES AND COMMISSIONS PAYABLE

	2021 £000	2020 £000
Bank charges	49	50
Other fees payable	134	45
	183	95

5 NET GAINS / (LOSSES) FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2021 £000	2020 £000
Movement in derivatives in designated fair value hedge relationships	1,226	(443)
Movement in hedged items in fair value hedge accounting relationships	(1,089)	381
	137	(62)

Included in the above are fair value gains of £484,152 (2020: £335) on derivatives held in qualifying fair value hedging relationships and £91,328 (2020: £833,511) representing losses on derivatives in qualifying fair value hedging relationships. Also included are fair value gains of £90,591 (2020: £731,296) in the fair value of the hedged item attributable to the risk hedged and losses of £448,627 (2020: £424) in the fair value of the hedged item attributable to the risk hedged.

The above numbers are based on an average effectiveness of 88.81% (2020: 107.4%) for LIBOR based derivatives and 113.59% (2020: 104.3%) for SONIA based derivatives.

NOTES TO THE ACCOUNTS (CONTINUED)

6 ADMINISTRATIVE EXPENSES

	2021 £000	2020 £000
Wages and salaries	3,055	2,710
Social security costs	311	335
Contributions to defined contribution pension scheme	318	279
Other administrative expenses	2,533	2,188
Total administrative expenses	**6,217**	5,512

Included in other administrative expenses are the following:

Auditor's remuneration (stated exclusive of VAT)

	2021 £000	2020 £000
Payments to the Auditor for:		
Audit of these financial statements	149	100
Amounts receivable by the Society's Auditors and its associates in respect of:		
Other audit services	5	5

In addition to the above, a further £24,295 was incurred in 2021 in relation to the audit of the 2020 financial accounts.

7 COLLEAGUE NUMBERS

The average number of persons employed during the year was as follows:

	2021	2020
FULL TIME		
Principal Office	66	52
Branch offices	9	17
	75	69
PART TIME		
Principal Office	15	14
Branch offices	12	13
	27	27

In June 2020, the Mansfield Branch, previously located within the Principal Office, moved location. Support departments, traditionally situated within the branch, remained at the Principal Office. This explains the year on year reduction in the number of colleagues in branch offices, however the number of colleagues working as part of the branch network has remained materially the same.

NOTES TO THE ACCOUNTS (CONTINUED)

8 DIRECTORS' REMUNERATION

REMUNERATION OF DIRECTORS

	2021 £000	2020 £000
For services as non-executive directors	167	165
For services as executives	390	416
	557	581

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

Further details of the directors' remuneration are given in the Directors' Remuneration Report on pages 29 to 31.

A DIRECTORS' LOANS AND TRANSACTIONS

At 31 December 2021, there were no outstanding mortgage loans granted in the ordinary course of business to any directors or their connected persons (2020: £nil).

A register is maintained at the Principal Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with directors and their connected persons.

A statement of the appropriate details contained in the register, for the financial year ended 31 December 2021, will be available for inspection at the Principal Office for a period of 15 days up to and including the Annual General Meeting.

B RELATED PARTY TRANSACTIONS

During the year there were no services provided to the Society by any connected business of a serving director. At 31 December 2021, there were no amounts outstanding to any connected businesses (2020: £nil).

There were no significant contracts with the Society subsisting during or at the end of the financial year in which a director of the Society (or a person connected with a director of the Society) is, or was, interested.

At 31 December 2021 a total of £68,268 (2020: £84,356) was held in Society savings by the directors and their connected parties.

NOTES TO THE ACCOUNTS (CONTINUED)

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

ANALYSIS OF CHARGE IN YEAR	2021 £000	2020 £000
CURRENT TAX		
Corporation tax at 19:00% (2020: 19.00%)	570	392
Adjustments relating to prior year	10	(20)
Total current tax	**580**	372
DEFERRED TAX		
Origination and reversal of timing differences	(3)	2
Adjustment to prior year estimates	(28)	19
Effects of changes in tax rate	16	9
Total tax	**565**	402

FACTORS AFFECTING THE TAX CHARGE FOR THE CURRENT PERIOD	2021 £000	2020 £000
Profit on ordinary activities before tax	2,879	1,863
Current tax at 19.00% (2020: 19.00%)	547	354
Effects of:		
Expenses not deductible for tax purposes	24	40
Effects of Super deduction element of Capital Allowances	(5)	-
Impact of different tax rates	16	-
Adjustments relating to prior year	(17)	8
Total tax	**565**	402

	2021			2020		
	Current tax £000	Deferred tax £000	Total tax £000	Current tax £000	Deferred tax £000	Total tax £000
Recognised in statement of comprehensive income	580	(15)	565	372	30	402
Total tax	**580**	**(15)**	**565**	372	30	402

NOTES TO THE ACCOUNTS (CONTINUED)

10 LIQUID ASSETS

A CASH AND CASH EQUIVALENTS

	2021 £000	2020 £000
Cash in hand and balance with the Bank of England	69,649	54,338
Loans and advances to credit institutions	8,255	7,989
Cash and cash equivalents per Cash Flow Statement	**77,904**	62,327

B LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Loans and advances to credit institutions have remaining maturities as follows:

	2021 £000	2020 £000
Repayable on demand	8,263	7,991
In not more than three months	1,420	7,958
In more than three months but not more than one year	7,012	14,022
Total	**16,695**	29,971
Of which, included within cash and cash equivalents	**8,255**	7,989

Loans and advances to credit institutions which are included within cash and cash equivalents in the cash flow statement comprise current accounts held at other credit institutions utilised for the Society's daily operations.

11 DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Positive market value £000	Negative market value £000	Positive market value £000	Negative market value £000
Derivatives designated as fair value hedges:				
Interest rate swaps	**484**	**91**	-	834

The positive movement in the market value of interest rate swaps has been driven by increases in the market's forward view of interest rates.

NOTES TO THE ACCOUNTS (CONTINUED)

12 LOANS AND ADVANCES TO CUSTOMERS

	2021 £000	2020 £000
Loans fully secured on residential property	359,012	345,652
Loans fully secured on land	4,699	1,826
Fair value of hedged risk	(358)	731
At 31 December	**363,353**	348,209

The remaining maturity of loans and advances to customers from the date of the balance sheets is as follows:

MATURITY ANALYSIS	NOTE	2021 £000	2020 £000
On call and at short notice		223	6
Repayable with remaining maturity:			
In not more than three months		2,279	2,848
In more than three months but not more than one year		12,146	7,670
In more than one year but not more than five years		52,358	49,942
In more than five years		296,823	288,520
		363,829	348,986
Less allowance for impairment for bad and doubtful debts	13	(476)	(777)
		363,353	348,209

The maturity analysis is based on contractual maturity not actual redemption levels experienced by the Society.

At 31 December 2021 the Society had pledged £97.5m (2020: £93.1m) of mortgage assets to the Bank of England as collateral under the Bank of England Sterling Monetary Framework.

NOTES TO THE ACCOUNTS (CONTINUED)

The Society operates throughout England, Scotland & Wales and an analysis of the geographical concentration is shown in the table below:

GEOGRAPHICAL ANALYSIS	2021 %	2020 %
North East	2.7	2.7
North West	11.7	12.1
Yorkshire and Humberside	10.4	11.0
East Midlands	15.5	16.0
West Midlands	9.2	9.0
East Anglia	5.4	5.2
South West	11.0	11.3
London	9.0	9.6
South East	17.9	17.3
Wales	4.4	4.5
Scotland	2.8	1.3
	100.0	100.0

NOTES TO THE ACCOUNTS (CONTINUED)

13 ALLOWANCE FOR IMPAIRMENT

Provisions against loans and advances to customers have been made as follows:

	Loans fully secured on residential property		Loans fully secured on land		Total	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
AT 1 JANUARY						
Individual impairment	383	114	50	-	433	114
Collective impairment	344	609	-	-	344	609
	727	723	**50**	-	**777**	723
AMOUNT WRITTEN OFF						
Individual Impairment	(1)	-	-	-	(1)	-
Collective Impairment	-	-	-	-	-	-
	(1)	**-**	**-**	**-**	**(1)**	**-**
(CREDIT)/CHARGE FOR THE YEAR						
Individual impairment	(188)	269	(50)	50	(238)	319
Collective impairment	(68)	(265)	6	-	(62)	(265)
	(256)	4	**(44)**	50	**(300)**	54
AT 31 DECEMBER						
Individual impairment	194	383	-	50	194	433
Collective impairment	276	344	6	-	282	344
	470	727	**6**	50	**476**	777

Individual impairments as at 31 December 2020 included allowances for customers who received a payment deferral during 2020 as part of the government scheme, and where an impairment trigger was deemed to have occurred. The majority of these accounts returned to full payment, and there is no specific provision relating to payment deferrals as at 31 December 2021. Accounts previously on a payment deferral, which are now in arrears or in forbearance are treated in line with all other accounts arrears or in forbearance for the purpose of the impairment allowance.

Significant increases in house prices were seen in the UK housing market during 2021, and these have led to an improvement in the value of the security that the Society holds against its loans. This has led to a reduction in the overall amount of the allowance during the year.

NOTES TO THE ACCOUNTS (CONTINUED)

14 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Equipment, fixtures, fittings and vehicles £000	Assets in the course of construction £000	Total £000
COST				
At 1 January 2021	1,128	2,090	-	3,218
Additions/Transfers	-	238	9	247
Disposals/Transfers	-	(773)	(9)	(782)
Impairment	-	-	-	-
At 31 December 2021	**1,128**	**1,555**	**-**	**2,683**
DEPRECIATION				
At 1 January 2021	(56)	(1,307)	-	(1,363)
Charge for year	(12)	(180)	-	(192)
Disposals	-	766	-	766
Impairment	-	-	-	-
At 31 December 2021	**(68)**	**(721)**	**-**	**(789)**
NET BOOK VALUE				
At 1 January 2021	1,072	783	-	1,855
At 31 December 2021	**1,060**	**834**	**-**	**1,894**

Included within freehold land and buildings above is £476,143 (2020: £476,143) of non-depreciable land.

The net book value of land and buildings occupied by the Society for its own activities is £1,060,282 (2020 £1,072,307). The Society's annual assessment did not show any impairments of the Society's premises in 2021. The Statement of Comprehensive Income includes impairment losses on property of £151,711 for 2020. This was as a result of an impairment review of the Society's Mansfield head office and its Chesterfield branch. This arose from the repurposing of the head office to be solely office space, following the relocation of the Mansfield branch to its new Market Place site, and also a view that town centre commercial property values had been impacted by the Covid-19 crisis.

A review of equipment, fixtures and fittings during the year has prompted the disposal of £766,197 of other fixed assets which were at £nil net book value and were either obsolete or had been replaced with upgrades during the year. £6,638 of computer equipment was written off as a loss on disposal during the year.

NOTES TO THE ACCOUNTS (CONTINUED)

15 INTANGIBLE ASSETS

	Software £000	Assets in the course of construction £000	Total £000
COST			
At 1 January 2021	1,611	36	1,647
Additions/Transfers	47	70	117
Disposals/Transfers	(449)	(43)	(492)
At 31 December 2021	**1,209**	**63**	**1,272**
AMORTISATION			
At 1 January 2021	(1,269)	-	(1,269)
Charge for year	(168)	-	(168)
Disposals/Transfers	449	-	449
At 31 December 2021	**(988)**	**-**	**(988)**
NET BOOK VALUE			
At 1 January 2021	342	36	378
At 31 December 2021	**221**	**63**	**284**

A review of intangible assets during the year has prompted the disposal of £449,255 (2020:£nil) of intangible assets which were at £nil net book value and which were obsolete or had been replaced with upgrades during the year.

16 OTHER DEBTORS

	2021 £000	2020 £000
Prepayments	457	444
Accrued Income	-	-
	457	444

17 SHARES

	2021 £000	2020 £000
Held by individuals	322,203	319,120
Other shares	-	7
	322,203	319,127
Shares are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	377	439
Repayable on demand	158,672	156,442
Other shares by residual maturity repayment:		
In not more than three months	97,982	84,912
In more than three months but not more than one year	29,547	33,113
In more than one year but not more than five years	34,088	42,870
In more than five years	1,537	1,351
	322,203	319,127

18 AMOUNTS OWED TO CREDIT INSTITUTIONS

	2021 £000	2020 £000
Amounts owed to credit institutions are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	19	11
Repayable with agreed maturity dates or period of notice:		
In not more than three months	-	2,000
In more than three months but not more than one year	1,000	10,000
In more than one year but not more than five years	60,000	36,000
	61,019	48,011

Included in the amounts above is £0m (2020: £20.0m) relating to funds drawn from the Term Funding Scheme and £60.0m (2020: £26.0m) of funds drawn from the Term Funding Scheme with additional incentives for SME's (TFSME). TFSME is a scheme within the Bank of England Sterling Monetary Framework, which involves pledging mortgage assets to the Bank of England as collateral. The amount of collateral relating to this scheme is shown in note 12 on page 55.

NOTES TO THE ACCOUNTS (CONTINUED)

19 AMOUNTS OWED TO OTHER CUSTOMERS

	2021 £000	2020 £000
Amounts owed to other customers are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	-	2
On demand	21,696	22,444
With agreed maturity dates or period of notice:		
In not more than three months	8,346	9,599
In more than three months but not more than one year	4,420	2,797
	34,462	34,842

20 ACCRUALS AND DEFERRED INCOME

	2021 £000	2020 £000
Accruals	480	293
Deferred Income	-	-
	480	293

21 OTHER LIABILITIES

	2021 £000	2020 £000
Falling due within one year:		
Corporation tax	310	179
Other creditors	601	594
	911	773

22 DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Accelerated capital allowances	-	-	116	126	116	126
Short term timing differences	(48)	(43)	-	-	(48)	(43)
Tax (assets) / liabilities	**(48)**	(43)	**116**	126	**68**	83

The Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% would not occur and the UK Corporation Tax Rate would instead remain at 19%. Subsequently, in the March 2021 Budget it was announced that legislation would be introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As this was substantively enacted by the balance sheet date, deferred tax balances on timing differences as at 31 December 2021 have been measured at 25%.

NOTES TO THE ACCOUNTS (CONTINUED)

23 PROVISIONS

	Bonus Provision > 1 yr £000	Rental Dilapidations £000	Total £000
Balance at 1 January 2021	84	-	84
Provisions charged during the year	110	10	120
Provisions utilised during the year			
Provisions released to profit and loss	(84)	-	(84)
Balance at 31 December 2021	**110**	**10**	**120**

BONUS PROVISION

The Society pays a medium term bonus to all senior colleagues subject to satisfactory personal performance and based on Society targets. The bonus relates to annual performance and is payable 50% in the year following the year of earning and 25% in each of the following two years subject to meeting Society medium term and personal targets. The bonus is awarded as a percentage of the individual's salary at the time of payment.

DILAPIDATIONS

During the year, the Society commissioned a review of the branches it leases, to assess whether any work would be required in the event of the Society allowing the leases to end, and returning them to their owner. A £9,600 provision arose as a result of this.

24 COMMITMENTS

FINANCIAL COMMITMENTS

STAFF PENSIONS

Under the Trust Deed of the staff pension scheme, the trustees have a claim on the assets of the Society if there are insufficient assets available to meet all benefits payable by the scheme.

CAPITAL COMMITMENTS

No material capital expenditure has been contracted for or authorised at 31 December 2021 (2020: £nil).

25 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2021		2020	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Less than one year	34	-	40	-
Greater than one year less than five years	125	-	150	-
Greater than five years	82	-	136	-
	241	**-**	326	-

26 GENERAL RESERVES

	2021 £000	2020 £000
At 1 January	31,148	29,687
Profit for the financial year	2,314	1,461
At 31 December	**33,462**	31,148

NOTES TO THE ACCOUNTS (CONTINUED)

27 FINANCIAL INSTRUMENTS

Instruments used for risk management purposes include derivative financial instruments (derivatives), which are contracts or agreements whose value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates.

The Society's principal derivatives used in balance sheet risk management are interest rate swaps, which are used to hedge balance sheet exposures arising from fixed rate mortgage lending and savings products. These derivatives are only used by the Society in accordance with the Building Societies Act 1986 (as amended by the Building Societies Act 1997) to limit the extent to which the Society will be affected by changes in interest rates or other factors specified in the legislation. Derivatives are not used in trading activity or for speculative purposes; consequently all such instruments are classified as hedging contracts.

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. This note describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The tables below analyse the Society's assets and liabilities by financial classification:

CARRYING VALUES BY CATEGORY 31 DECEMBER 2021		Held at amortised cost	Held at fair value	
	Loans and Receivables £000	Financial liabilities £000	Derivatives designated as fair value hedges £000	Total £000
FINANCIAL ASSETS				
Cash in hand and Balances with Bank of England	69,649	-	-	69,649
Loans and advances to credit institutions	16,695	-	-	16,695
Derivative financial instruments	-	-	484	484
Loans and advances to customers	363,353	-	-	363,353
Total financial assets	**449,697**	**-**	**484**	**450,181**
Non-financial assets				2,635
Total assets				**452,816**
FINANCIAL LIABILITIES				
Shares	-	322,203	-	322,203
Amounts owed to credit institutions	-	61,019	-	61,019
Amounts owed to other customers	-	34,462	-	34,462
Derivative financial instruments	-	-	91	91
Other liabilities	-	1,201		1,201
Total financial liabilities	**-**	**418,885**	**91**	**418,976**
Non-financial liabilities				378
Total Liabilities				**419,354**
RESERVES				
General reserves				33,462
Total				**452,816**

CARRYING VALUES BY CATEGORY 31 DECEMBER 2020		Held at amortised cost	Held at fair value	
	Loans and Receivables £000	Financial liabilities £000	Derivatives designated as fair value hedges £000	Total £000
Financial assets				
Cash in hand and Balances with Bank of England	54,338	-	-	54,338
Loans and advances to credit institutions	29,971	-	-	29,971
Derivative financial instruments	-	-	-	-
Loans and advances to customers	348,209	-	-	348,209
Total financial assets	432,518	-	-	432,518
Non-financial assets				2,677
Total assets				435,195
Financial liabilities				
Shares	-	319,127	-	319,127
Amounts owed to credit institutions	-	48,011	-	48,011
Amounts owed to other customers	-	34,842	-	34,842
Derivative financial instruments	-	-	834	834
Other liabilities	-	971	-	971
Total financial liabilities	-	402,951	834	403,785
Non-financial liabilities				262
Total Liabilities				404,047
Reserves				
General reserves				31,148
Total				435,195

VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The Society holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1: The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Society does not hold any Level 1 assets/liabilities.

Level 2: These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets. The Society's Level 2 portfolio comprises interest rate swaps for which market informed yield curves have been used in their fair value.

NOTES TO THE ACCOUNTS (CONTINUED)

Level 3: These are valuation techniques for which one or more significant inputs is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models. The Society does not hold any Level 3 assets/liabilities.

The table below summarises the fair values of the Society's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the Society to derive the financial instruments fair value:

FAIR VALUE AT 31 DECEMBER	2021 Level 2 £000	2020 Level 2 £000
Financial assets		
Interest rate swaps	484	-
Hedged risk	91	731
	575	731
Financial liabilities		
Interest rate swaps	91	834
Hedged risk	450	-
	541	834

When the Society takes interest rate swaps, they no longer make use of LIBOR, and are now taking SONIA swaps.

In August 2021, the Society transitioned all of its then held LIBOR swaps to the alternative SONIA rate. This was undertaken in partnership with the Society's counterparties. This transition took advantage of amendments to IAS39, IFRS9 & IFRS7 issued by the IASB in August 2020, as part of the second phase of interest rate benchmark reform. Economic equivalency between the terminating LIBOR swaps and replacement SONIA swaps was demonstrated on an individual swap basis. As a result the Society has not derecognised any swaps during the accounting period and is permitted to continue hedge accounting.

The composition of the portfolio of interest rate swaps used in hedges and held at each year end is shown in the table below.

	2021 £000	2020 £000
Notional value of LIBOR swap contracts used in hedges	-	66,500
Notional value of SONIA swap contracts used in hedges	91,500	26,500
Total notional value of swap contracts used in hedges held at 31 December	**91,500**	93,000
Notional value of LIBOR swap contracts used in hedges which mature before the end of 2021	-	30,500
Notional value of LIBOR swap contracts used in hedges which mature after 2021	-	36,000
	-	66,500

	2021 £000	2020 £000
Carrying value of mortgages hedged by LIBOR swap contracts which mature before the end of 2021	-	20,732
Carrying value of mortgages hedged by LIBOR swap contracts which mature after 2021	-	33,204
Total carrying value of mortgages hedged by LIBOR swap contacts	-	53,936

The carrying value of mortgages included in hedge relationships is equal to their amortised cost after hedge accounting adjustments.

FINANCIAL ASSETS PLEDGED AS COLLATERAL

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2021 and 2020 are shown in the following table:

	2021 £000	2020 £000
Loans and advances to customers	97,459	93,084
	97,459	93,084

The mortgage loans are pledged as collateral against any loans received from the Bank of England under the Bank of England Sterling Monetary Framework.

28 CREDIT RISK

Credit risk is the risk of default by counterparties to transactions. Appropriate credit limits have been established for individual counterparties, sectors and countries and the Board ensures that the Society adheres to these limits.

The Society's maximum credit risk exposure is detailed in the table below:

	2021 £000	2020 £000
Cash in hand and Balances with Bank of England	69,649	54,338
Loans and advances to credit institutions	16,695	29,971
Derivative financial instruments	484	-
Loans and advances to customers - fully secured on residential property	359,012	345,652
- fully secured on land	4,699	1,826
Total statement of financial position exposure	450,539	431,787
Off balance sheet exposure - mortgage commitments	27,638	17,824
	478,177	449,611

NOTES TO THE ACCOUNTS (CONTINUED)

MORTGAGE BOOK CREDIT RISK

Credit quality analysis of loans and advances to customers excluding commitments to lend:

	NOTE	2021 Loans fully secured on residential property £000	2021 Loans fully secured on land £000	2020 Loans fully secured on residential property £000	2020 Loans fully secured on land £000
Not Impaired					
Neither past due nor impaired		342,000	4,685	334,069	1,342
Past due under 3 months but not impaired		3,189		3,958	-
Past Due 3 months and over but not impaired		1,201	20	772	20
Impaired					
Not past due		9,493	-	5,289	514
1-2 months		2,145	-	1,400	-
2-4 months		317	-	179	-
4-6 months		492	-	423	-
6 months +		645	-	289	-
		359,482	**4,705**	346,379	1,876
Allowance for impairment					
Individual		(194)	-	(383)	(50)
Collective		(276)	(6)	(344)	-
	13	**(470)**	**(6)**	(727)	(50)
Loans and advances to customers	12	**359,012**	**4,699**	345,652	1,826

	2021 £000	2020 £000
Indexed value of collateral held		
Neither past due nor impaired	953,407	852,898
Past due but not impaired	12,089	11,424
Impaired	22,007	11,599
	987,503	875,921

The allowance for impairment category includes cases in forbearance and arrears cases, customers who have entered in to an IVA or bankruptcy and customers who have taken a payment deferral.

Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely (for example when loans are past due) or the property is in possession, or where credit scoring evidence suggests an impairment trigger has occurred due to the customer's ability to afford repayments. Further consideration is given in the accounting policies on pages 45 to 49.

Enhancements have been made to the Loan Impairment Policy during the year including a wider consideration of additional risks. This has given rise to an increase in the category 'Impaired but not past due', however these are fully performing loans at the balance sheet date.

Significant increases in house prices were seen in the UK housing market during 2021, and these have led to an improvement in the value of the security that the Society holds against its loans. This has led to a reduction in the overall amount of the allowance during the year.

The collateral consists of residential and commercial property. Collateral values are adjusted by the latest price index produced by the Land Registry to derive the indexed valuation at 31 December 2021. This index takes into account regional data from eleven different regions within the UK. The Society uses this index to update its mortgage portfolio on a monthly basis.

The value of collateral held against impaired loans at 31 December 2021 is £22,007k (2020: £11,599k) against outstanding debt of £13,092k (2020: £8,094k).

The value of collateral held against loans past due but not impaired as 31 December 2021 is £12,089k (2020: £11,424k) against outstanding debt of £4,410k (2020: £4,750k).

COLLATERAL HELD AND OTHER CREDIT ENHANCEMENTS

The Society holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	2021 %	2020 %	
Loans and advances to customers	**100**	100	Property

The table below stratifies exposures from loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

	2021		2020	
	FSRP 2021 £000	FSOL 2021 £000	FSRP 2020 £000	FSOL 2020 £000
LTV ratio				
Less than 50%	135,058	3,302	121,215	1,049
51 – 70%	127,514	1,403	105,685	99
71 – 90%	90,592	-	107,970	728
91 – 100%	6,145	-	11,509	-
More than 100%	174	-	-	-
	359,483	**4,705**	346,379	1,876

The average LTV for the total loan book is 36.9% (2020: 39.8%). The amount showing in the table as more than 100% LTV relates to a single mortgage on a Family Assist product. Family Assist mortgages require the borrower to have a family member deposit an amount equivalent to 20% of the property's value or provide equivalent collateral in the form of equity in their own property. We do not include this additional security when calculating the above LTV figures.

The loans included in the 91-100% LTV banding include standard residential mortgages that are insured using High Loan to Value Insurance. There are also Shared Ownership customers in this banding, whose loans are shown as the mortgage balance versus the value of the share that the customer has purchased, as opposed to the percentage of the loan compared to the value of the property. A Housing Association will own the remaining share and a guarantee exists between the Society and the Housing Association which allows the Society to access the full equity in the property in a default situation.

The above table includes £26.21m (2020: £21.47m) of self-build mortgages where the customer receives their funds in stages. The loan to value for these mortgages is calculated as the value drawn to date as a percentage of the estimated final valuation of the completed property.

FORBEARANCE

Borrowers experiencing payment difficulties are encouraged to contact the Society as a number of forbearance measures are available to assist them with what, in most cases, are temporary problems. These measures include:

TEMPORARY CONCESSION	a temporary transfer to interest only or underpayments on a temporary basis.
AGREED FORMAL ARRANGEMENT	includes cases where there is an agreed arrears repayment plan.
LOAN MODIFICATION	includes cases where there is a term extension.

The table below analyses residential mortgage borrowers with renegotiated terms at the yearend date:

	2021 Number	2020 Number
Temporary concession	5	10
Agreed formal arrangements	11	5
Loan modification	15	19
	31	34

At 31 December 2021 £2.53m (2020: £2.45m) of loans are subject to forbearance.

NOTES TO THE ACCOUNTS (CONTINUED)

29 LIQUIDITY RISK

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its obligations as they fall due, under either normal business conditions or a stressed environment. The Society's policy is to maintain sufficient funds in a liquid form at all times to ensure that liabilities can be met as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected event that may arise.

Monitoring of liquidity, in line with the Society's prudential policy framework, is performed daily. Compliance with these policies is reported to the Management Assets and Liabilities Committee 11 times per year and to the Board's Risk Committee quarterly.

The tables below set out the remaining contractual maturities of the Society's financial assets and financial liabilities.

YEAR END 2021	On Demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
ASSETS						
Cash in hand and balances with Bank of England	69,649	-	-	-	-	69,649
Loans and advances to credit institutions	8,263	1,420	7,012	-	-	16,695
Derivative financial instruments	-	484	-	-	-	484
Loans and advances to customers	223	2,276	12,130	52,289	296,435	363,353
Other assets	2,635	-	-	-	-	2,635
Total Assets	**80,770**	**4,180**	**19,142**	**52,289**	**296,435**	**452,816**
LIABILITIES						
Shares	158,918	98,045	29,603	34,093	1,544	322,203
Amounts owed to credit institutions	-	-	1,001	60,018	-	61,019
Amounts owed to other customers	21,696	8,346	4,420	-	-	34,462
Derivative financial instruments	91	-	-	-	-	91
Other liabilities	1,579	-	-	-	-	1,579
Reserves	-	-	-	-	33,462	33,462
Total Liabilities	**182,284**	**106,391**	**35,024**	**94,111**	**35,006**	**452,816**
Net liquidity gap	**(101,514)**	**(102,211)**	**(15,882)**	**(41,822)**	**261,429**	**-**

YEAR END 2020	On Demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
ASSETS						
Cash in hand and balances with Bank of England	54,338	-	-	-	-	54,338
Loans and advances to credit institutions	7,991	7,958	14,022	-	-	29,971
Derivative financial instruments	-	-	-	-	-	-
Loans and advances to customers	6	2,842	7,653	49,830	287,878	348,209
Other assets	2,677	-	-	-	-	2,677
Total Assets	65,012	10,800	21,675	49,830	287,878	435,195
LIABILITIES						
Shares	156,736	84,967	33,160	42,906	1,358	319,127
Amounts owed to credit institutions	-	2,001	10,003	36,007	-	48,011
Amounts owed to other customers	22,444	9,601	2,797	-	-	34,842
Derivative financial instruments	834	-	-	-	-	834
Other liabilities	1,233	-	-	-	-	1,233
Reserves	-	-	-	-	31,148	31,148
Total Liabilities	181,247	96,569	45,960	78,913	32,506	435,195
Net liquidity gap	(116,235)	(85,769)	(24,285)	(29,083)	255,372	-

NOTES TO THE ACCOUNTS (CONTINUED)

The table below sets out the maturity analysis for financial liabilities. It shows the remaining contractual maturities at undiscounted amounts. The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates, for the average period until maturity on the amounts outstanding at the statement of financial position date.

YEAR END 2021	On Demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£000	£000	£000	£000	£000	£000
FINANCIAL LIABILITIES						
Shares	158,921	98,268	29,792	34,815	1,781	323,577
Amounts owed to credit Institutions	-	-	1,001	60,528	-	61,529
Amounts owed to other customers	21,703	8,354	4,434	-	-	34,491
Derivative financial instruments	-	11	111	418	-	540
Total financial liabilities	**180,624**	**106,633**	**35,338**	**95,761**	**1,781**	**420,137**

YEAR END 2020	On Demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£000	£000	£000	£000	£000	£000
FINANCIAL LIABILITIES						
Shares	156,733	85,164	33,489	44,063	1,575	321,024
Amounts owed to credit institutions	-	2,002	10,040	36,144	-	48,186
Amounts owed to other customers	22,458	9,610	2,806	-	-	34,874
Derivative financial instruments	1	12	159	578	-	750
Total financial liabilities	179,192	96,788	46,494	80,785	1,575	404,834

30 MARKET RISK

Market risk is the risk of changes to the Society's financial condition caused by market interest rates. The Society is exposed to movements in interest rates reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The Society manages this exposure continually by using both on and off-balance sheet instruments.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in the yield curve. The following is an analysis of the Society's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

SENSITIVITY OF PROJECTED NET INTEREST INCOME AT 31 DECEMBER

	2021		2020	
	200bp parallel increase £000	200bp parallel decrease £000	200bp parallel increase £000	200bp parallel decrease £000
Average for the period	(698)	698	(502)	502
Maximum for the period	(843)	843	(621)	621
Minimum for the period	(454)	454	(339)	339

DERIVATIVES HELD FOR RISK MANAGEMENT

The Society uses derivatives to assist in managing interest rate risk. The only derivatives used are interest rate swaps to hedge its exposure to changes in the fair values of its fixed-rate mortgages and its exposure to market interest rates on certain treasury deposits.

The fair values of derivatives designated as fair value hedges are shown in note 11 on page 54.

NOTES TO THE ACCOUNTS (CONTINUED)

31 PENSIONS

DEFINED CONTRIBUTION SCHEMES

The Society operates two personal pension plans, The Mansfield Building Society 2007 Group Personal Pension Plan and The Mansfield Building Society 2014 Auto Enrolment Plan. Both schemes are available to all colleagues. During the year ended 31 December 2021, the Society made contributions of £317,741 (2020: £278,719), which are included in the Statement of Comprehensive Income and shown in Note 6 within staff costs. At 31 December 2021, 12 months of contributions, paid in arrears, had been made for the year.

DEFINED BENEFIT SCHEME

Additionally, the Society operates a defined benefit pension scheme, The Mansfield Building Society 1978 Retirement & Death Benefit Scheme (the Scheme). The Scheme funds are administered by Trustees and are independent of the Society's finances. Contributions are paid to the Scheme in accordance with the recommendations of an independent actuarial adviser. The Scheme was closed to future accruals for all colleagues with effect from 28 February 2007.

Details in respect of the scheme are provided below in accordance with Financial Reporting Standard 102 – Retirement Benefit Plans. A professional qualified actuary carries out an actuarial valuation every three years. The latest valuation of the Scheme was undertaken as at 1 March 2019 using the projected unit credit method and both the assets and liabilities include the value of those pensions in payment which are secured with insured annuities. In accordance with FRS102, this latest actuarial valuation was updated to the accounting date by an independent qualified actuary.

The following tables set out the principal actuarial assumptions underlying the Scheme.

	Year to 31 December	
	2021	2020
Price inflation	3.35%	2.85%
Discount rate	1.80%	1.40%
Pension increase (RPI)	3.25%	2.75%

In valuing the liabilities of the Scheme at 31 December 2021, assumptions have been made as indicated above. If the discount rate were to decrease by 0.10%, the value of the reported liabilities would have increased by approximately £0.13m (2020: £0.16m) before adjustment for deferred taxation. Similarly, if the life expectancies shown below increased by one year an increase of £0.27m would be seen in liabilities, and if the inflation rate shown were to increase by 0.10%, then an increase of £0.09m (2020: £0.09m) would be seen in liabilities.

The principal underlying assumption (shown below) relating to longevity is based on standard actuarial mortality tables and includes an allowance for future improvements in longevity.

Assumed life expectancies on retirement at age 65	2021	2020
Male retiring immediately	21.2 years	21.1 years
Female retiring immediately	23.0 years	22.8 years

Amounts recognised in the balance sheet:	As at 31 December	
	2021 £000	2020 £000
Liabilities	-	-
Assets	-	-
Net Asset	-	-

NOTES TO THE ACCOUNTS (CONTINUED)

The table below provides a reconciliation of the present value of the defined benefit obligation.

DEFINED BENEFIT OBLIGATION	2021 £000	2020 £000
Fair value of plan assets	8,638	9,222
Present value of defined benefit obligation	(7,600)	(7,764)
Surplus in plan	1,038	1,458
Unrecognised surplus	(1,038)	(1,458)
Deferred tax	-	-
Net defined benefit asset to be recognised[1]	-	-

(1) Under FRS102, where a scheme is in surplus according to FRS102 assumptions, the surplus may only be recognised if it is available to the Society. A surplus is only deemed available to the extent that the Society can take a contribution holiday or if the Trustees have agreed to provide a refund to the Society. The Scheme is now closed and has no active members and no agreement has been made with the Scheme Trustees to make any refunds. Accordingly, it has been assumed that none of the surplus is currently available to the Society, unless the Scheme were to be wound up and therefore no asset was recognised at the balance sheet date.

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION:

	As at 31 December	
	2021 £000	2020 £000
Defined benefit obligation at start of period	7,764	6,776
Expenses	-	8
Interest expense	107	133
Actuarial losses	4	1,103
Benefits paid and expenses	(275)	(256)
Losses due to benefit changes		-
Defined benefit obligation at end of period	**7,600**	7,764

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS:

	As at 31 December	
	2021 £000	2020 £000
Fair value of plan assets at start of period	9,222	9,154
Interest income	127	181
Actuarial (losses) / gains	(436)	135
Contributions by the Society	8	8
Administrative Expenses	(8)	-
Benefits paid and expenses	(275)	(256)
Fair value of plan assets at end of period	**8,638**	9,222

The actual return on the plan assets over the period ended 31 December 2021 was a loss of £309,000 (2020: a gain of £316,000).

	As at 31 December	
	2021 £000	2020 £000
Defined benefit costs recognised in profit or loss		
Expenses	8	8
Net interest cost	-	-
Losses due to benefit changes	-	-
Defined benefit costs recognised in profit and loss account	**8**	8

Over the year to 31 December 2021, contributions by the Society of £7,500 were made to the Scheme (Year to 31 December 2020: £7,500).

The total amount recognised in other comprehensive income in respect of actuarial gains and losses is £nil (2020: £nil).

The English High Court ruling in Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank PLC and others was published on 26 October 2018 and held that UK Pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The impact of this adjustment was a £49k increase to the liabilities of the scheme, which was taken through profit and loss in 2018. Management have continued to monitor ongoing legal cases across the industry in relation to GMP, and do not consider that any cases have arisen that materially change the liability that has been recognised in the accounts.

	As at 31 December	
	2021 £000	2020 £000
Defined benefit costs recognised in other comprehensive income:		
Return on plan assets (excluding amounts included in net interest cost) – (loss) / gain	(436)	135
Experience gains and losses arising on the plan liabilities – gain	-	58
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – (loss)	(4)	(1,161)
Effects of changes in the amount of surplus that is not recoverable – (loss) / gain	440	968
Total amount recognised in other comprehensive income - gain	**-**	-

The following table sets out the fair value of assets together with a breakdown of the assets into the main asset classes as at the accounting dates.

	As at 31 December	
	2021 Fair value £000	2020 Fair value £000
Components		
Equities	3,457	3,674
Bonds	3,757	4,200
Property	709	855
Cash	322	55
Other	393	438
Total	**8,638**	9,222

None of the fair values of the assets shown above include any direct investments in the Society's own financial instruments or any property occupied by, or other assets used by, the Society. Pension assets are valued by a third party based on their surrender value.

NOTES TO THE ACCOUNTS (CONTINUED)

32 CAPITAL

The Society's policy is to retain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The Board has strategies and controls to ensure that both capital and liquidity are maintained at appropriate levels. The new rules being implemented by world banking authorities (for example, CRDIV) have put a higher emphasis on improving our capital strength and it is therefore important for the Society to return strong levels of profitability in order to organically grow our capital base. Adopting this capital strengthening strategy ensures that we have protection against future risks and that we exceed regulatory capital requirements so that we can continue to offer a wide range of mortgage products to our members.

The Society's capital requirements are set and monitored by the Prudential Regulation Authority (PRA) following the formal ICAAP process (Internal Capital Adequacy Assessment Process). However, the Society aims to maintain its capital above this requirement, the Total Capital Required (TCR), and it is monitored regularly to ensure that this is the case. There were no reported breaches of capital requirements during the year. Capital comprises the Society's reserves and collective provisions net of any required deductions for regulatory purposes e.g. Intangible assets.

Under Pillar 3 the Society is required to publish further information regarding its capital position and exposures including the TCR and the quality of capital held. The Society's Pillar 3 disclosures are available on our website mansfieldbs.co.uk under "Corporate Information".

	2021 £000	2020 £000
COMMON EQUITY TIER 1 CAPITAL		
General reserve	33,462	31,148
Intangible assets	(284)	(378)
TOTAL COMMON EQUITY TIER 1 CAPITAL	**33,178**	30,770
TIER 2 CAPITAL		
Collective provision	282	344
TOTAL REGULATORY CAPITAL	**33,460**	31,114

33 COUNTRY BY COUNTRY REPORTING

The regulations under Article 89 of the CRDIV require the Society to disclose the following information about the source of the Society's income and the location of its operations:

For the year ended 31 December 2021:

- the Society's principal activities are mortgage lending and the provision of savings accounts;
- the Society's turnover (defined as net interest receivable) was £9.2m (2020: £8.1m) and profit before tax was £2.88m (2020: £1.86m), all of which arose from UK based activity;
- the average number of Society full time equivalent employees was 92 (2020: 87), all of whom were employed in the UK;
- corporation tax of £448k (2020: £367k) was paid in the year and is all within the UK tax jurisdiction; and
- no public subsidies were received in the year.

ANNUAL BUSINESS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

1 STATUTORY PERCENTAGES

	As at 31 December 2021 %	Statutory Limit %
Proportion of business assets other than in the form of loans fully secured on residential property – 'Lending limit'	1.53	25.00
Proportion of shares and borrowings other than in the form of shares held by individuals – 'Funding limit'	22.86	50.00

EXPLANATION

The statutory limits are prescribed in building society legislation and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, Sections 6 and 7 of the Building Societies Act 1986 (as amended by the Building Societies Act 1997).

Business assets are the total assets of the Society as shown in the statement of financial position plus provisions for impaired debts, less fixed assets and liquid assets.

Loans fully secured on residential property are the amount of principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the statement of financial position plus provisions for impaired debts.

2 OTHER PERCENTAGES

	As at 31 December	
	2021 %	2020 %
As a percentage of shares and borrowings:		
Gross capital	8.01	7.75
Free capital	7.56	7.28
Liquid assets	20.67	20.97
Profit after taxation as a percentage of mean total assets	0.52	0.34
Management expenses as a percentage of mean total assets	1.48	1.36

EXPLANATION

The above percentages have been calculated from the Society's Statement of Financial Position and Statement of Comprehensive Income. 'Gross capital' represents the general reserves as shown in the Statement of Financial Position.

'Free capital' represents gross capital and collective provisions for impaired debts less tangible and intangible fixed assets as shown in the Statement of Financial Position.

'Shares and borrowings' represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

'Mean total assets' are the average of the 2021 and 2020 total assets.

'Liquid assets' represent the total of cash in hand, treasury bills and debt securities and loans and advances to credit institutions shown in the Statement of Financial Position.

'Management expenses' represent the aggregate of administrative expenses and depreciation in the Statement of Comprehensive Income.

ANNUAL BUSINESS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3 INFORMATION RELATING TO THE DIRECTORS AT 31 DECEMBER 2021

NON-EXECUTIVE DIRECTORS

NAME	YEAR OF BIRTH	DATE OF APPOINTMENT AS DIRECTOR	BUSINESS OCCUPATION	OTHER DIRECTORSHIPS
Alison Chmiel FCMA *Board Chair*	1964	21.02.2013	Finance Director	The Alexander Workshop Ltd The Two Counties Trust
Nick Baxter DipMan (Open), DipM	1956	23.01.2017	Business Consultant	Mortgage Promotions Ltd Rockstead Ltd Rockstead Group Ltd
Colin Bradley ACA, ACIB	1952	28.05.2015	Building Society Director	-
Rob Clifford CertPFS (Retired 27.01.22)	1968	19.01.2012	Commercial Director Financial & Property Services	Stonebridge Mortgage Solutions Ltd Zenith Freehold Ltd Mortgage and Surveying Services Ltd Pure Financial Advisory Ltd MoneyQuest Mortgage Brokers Ltd Revolution Company (Essex) Ltd Stonebridge Genus Ltd
Jeremy Cross FCA	1967	21.02.2013	Management Consultant	Cross Consulting Ltd GSAL Transport Ltd Harrogate NHS Foundation Trust Forget me not Children's Hospice, Huddersfield
Rachel Haworth FCIM	1972	16.12.2021	Building Society Director	-
Lucy McClements FCCA	1976	30.07.2020	Consultant	Finwell Coaching & Consulting Ltd Fire Financial Services Ltd Community Inclusive Trust Isle of Man Financial Services Authority (Board Member)
Keith McLeod ACA	1963	16.12.2021	Building Society Director	Lymphoma Action

EXECUTIVE DIRECTORS

NAME	YEAR OF BIRTH	DATE OF APPOINTMENT AS DIRECTOR	BUSINESS OCCUPATION	OTHER DIRECTORSHIPS
Paul Wheeler ACA	1967	21.07.2011	Building Society Chief Executive	Trustee of The Mansfield Building Society Charitable Trust
Daniel Jones FCA	1975	30.04.2020	Building Society Finance Director	Trustee of The Mansfield Building Society 1978 Retirement & Death Benefit Scheme

Documents may be served on the above named directors at the offices of Harrop White, Vallance & Dawson, 9/11 Albert Street, Mansfield, Nottinghamshire NG18 1EA.

ANNUAL BUSINESS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

DIRECTORS' SERVICE CONTRACTS

The executive directors, Paul Wheeler and Daniel Jones, have service contracts with the Society dated 30 April 2020 and 5 November 2019, respectively.

The Chief Executive, Paul Wheeler, has a service contract which can be terminated by the individual giving six months' notice in writing or the Society giving 12 months' notice. The Finance Director, Daniel Jones, has a service contract which can be terminated by the individual giving six months' notice in writing or the Society giving 12 months' notice.

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.

ANNUAL BUSINESS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Board Chair
Alison Chmiel, FCMA

Senior Independent Director & Vice Chair
Nick Baxter, DipMan (Open) DipM

Non-Executive Directors
Alison Chmiel, FCMA
Nick Baxter, DipMan (Open) DipM
Colin Bradley, ACA, ACIB
Rob Clifford, CertPFS (Retired 27.01.22)
Jeremy Cross, FCA
Rachel Haworth, FCIM
Lucy McClements, FCCA
Keith McLeod, ACA

Chief Executive
Paul Wheeler, FCA

Finance Director
Daniel Jones, FCA

Governance Executive, Secretary and Money Laundering Reporting Officer
Jill Watson, CPFA

Risk Executive
Dave Newby

Commercial Development Executive
Richard Crisp, DipFSM

Head of Products, Marketing and Savings
Mike Taylor, LLB, ACIB

Head of HR
Vickie Preston

Head of Mortgages
Linda Herbert

Auditor
BDO LLP

Bankers
Barclays Bank Plc

Solicitors
Harrop White, Vallance & Dawson

Established 1870

Member of the Building Societies Association with Trustee status

Member of the Financial Ombudsman Service Scheme

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority - reference number 206049

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25 Market Place
Mansfield, Nottinghamshire
NG18 1JA
t: 01623 676350

SUTTON IN ASHFIELD

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

KIRKBY IN ASHFIELD

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

CHESTERFIELD

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

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