Summary Financial Statement

For the year ended
31 December 2021

MANSFIELD
BUILDING SOCIETY

For you | With you | Always

SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

THE DIRECTORS ARE PLEASED TO PRESENT THEIR SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021.

This financial statement is a summary of information in the audited Annual Accounts, the Directors' Report and the Annual Business Statement, all of which will be available to members and depositors free of charge on demand at every office of the Mansfield Building Society from 25 March 2022 and on our website as soon as practicable after the 2021 AGM.

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.

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 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 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.

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.

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.

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.

Finally, we are looking forward to face to face interactions returning during 2022 and I look forward to meeting members at our AGM in April.

Paul Wheeler
Chief Executive
25 February 2022

SUMMARY DIRECTORS' REPORT

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

BUSINESS REVIEW

This has been a 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).

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.

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.

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.

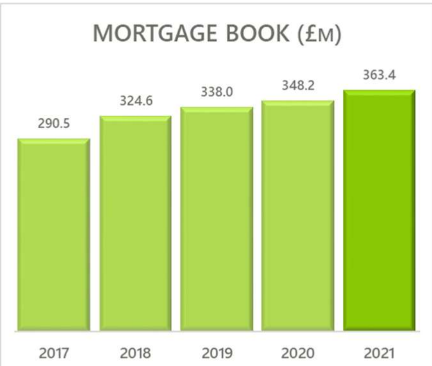
Various Key Performance Indicators are used to measure and monitor periodic progress and these are shown in the table above. They include performance measures, which are explained more fully below.

- 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.

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%).

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.

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.

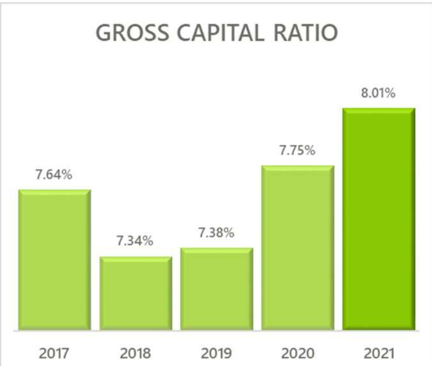
The ongoing low interest rate environment showed signs of some easing in December when the Bank of England's Monetary Policy Committee voted to increase Bank Rate to 0.25%. The market widely expects there to be further increases in 2022, due to inflationary pressures that are expected to continue. While 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 high 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.

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.

DIRECTORS

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

NON-EXECUTIVE DIRECTORS	
Alison Chmiel, FCMA	Chair
Nick Baxter, DipM, DipMAN (open)	Vice Chair and Senior Independent Director
Colin Bradley, ACA, ACIB	
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, ACA	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.

The Society extends its thanks to Jeremy Cross, our outgoing Chair, for his many years of service. He stepped down as Chair in June 2021, having held the position for six years. During his tenure, the Society has built considerable financial strength and 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 nine years in total.

We also extend our thanks to Rob Clifford, who stood down from the Board on 27 January 2022, having served for 10 years in a number of roles including chairing the Risk Committee and acting as the Senior Independent Director. He 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.

On behalf of the Board of Directors

Alison Chmiel
Board Chair
25 February 2022

SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS FOR THE YEAR	2021 £000	2020 £000
Net Interest Income	9,202	8,061
Other Income and Charges	74	(26)
Administrative Expenses	(6,577)	(5,904)
Impairment Provisions	300	(205)
Other Provisions	(120)	(63)
Profit before tax	2,879	1,863
Tax expense	(565)	(402)
Profit for the year	**2,314**	1,461

FINANCIAL POSITION AT END OF YEAR

ASSETS		
Liquid Assets	86,344	84,309
Mortgages	363,353	348,209
Derivative Financial Instruments	484	-
Fixed and Other Assets	2,635	2,677
Total Assets	**452,816**	435,195

LIABILITIES		
Shares	322,203	319,127
Borrowings	95,481	82,853
Derivative Financial Instruments	91	834
Other Liabilities	1,579	1,233
Reserves	33,462	31,148
Total Liabilities	**452,816**	435,195

SUMMARY OF KEY FINANCIAL RATIOS	2021 %	2020 %
Gross Capital as a % of Shares and Borrowings	8.01	7.75
Liquid Assets as a % of Shares and Borrowings	20.67	20.97
Profit for the year as a % of mean Total Assets	0.52	0.34
Management Expenses as a % of mean Total Assets	1.48	1.36

GROSS CAPITAL AS A PERCENTAGE OF SHARES AND BORROWINGS

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

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

LIQUID ASSETS AS A PERCENTAGE OF SHARES AND BORROWINGS

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

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

PROFIT FOR THE YEAR AS A PERCENTAGE OF MEAN TOTAL ASSETS

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

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

MANAGEMENT EXPENSES AS A PERCENTAGE OF MEAN TOTAL ASSETS

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

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

Approved by the Board of Directors on 25 February 2022 and signed on its behalf by:

Alison Chmiel
Board Chair

Daniel Jones
Finance Director

Paul Wheeler
Chief Executive and Director

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

OPINION

We have examined the summary financial statements of Mansfield Building Society ('the Society') for the year ended 31 December 2021, which comprises the Results for the year and of the Financial Position at the end of the year, together with the Summary Directors' report.

On the basis of the work performed, as described below, in our opinion the summary financial statements are consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

BASIS FOR OPINION

Our examination of the summary financial statements consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statements to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021, including consideration of whether, in our opinion, the information in the summary financial statements has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statements is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021.

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

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

DIRECTORS' RESPONSIBILITIES

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

AUDITOR'S RESPONSIBILITIES

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

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

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

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

25 February 2022

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

SUMMARY DIRECTORS' REMUNERATION REPORT

The purpose of this report is to inform members of the Mansfield Building Society about our policy on the remuneration of executive and non-executive directors. In providing such information to members, the Society has adopted a Remuneration Policy which describes how the Society also complies with the applicable principles within the FCA's Remuneration Code. A resolution will again be put to the AGM, inviting members to vote on the Directors' Remuneration Report. The vote is advisory and the Board will consider what action is required.

THE REMUNERATION COMMITTEE

This report has been prepared by the Remuneration Committee, which is made up entirely of non-executive directors and meets three times a year, with special meetings as needed. The membership of the Committee during 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 Chief Executive and 10% for the Finance Director. The pension contributions for all colleagues are regularly benchmarked against other organisations in the local area and in the building society sector as part of our review of the total package paid to all colleagues. The Board is currently satisfied that the total packages are set at a level which allows the Society to attract a high quality of colleague at all levels.

SUMMARY DIRECTORS' REMUNERATION REPORT

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.

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		
Alison Chmiel (Board Chair from 24.06.21)	31	26
Jeremy Cross (Board Chair until 24.06.21)	31	35
Rob Clifford (retired 27.01.22)	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

SUMMARY DIRECTORS' REMUNERATION REPORT

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 (FD)[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 (CEO)[1]	138	-	8	8	17	33	204
Daniel Jones (FD)[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

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MANSFIELD BUILDING SOCIETY

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