MANSFIELD
BUILDING SOCIETY

For you | With you | Always

Report and Accounts 2022

9.6%
MORTGAGE ASSET GROWTH

£13m
INCREASE IN MEMBER SAVINGS

£1.9m
PROFIT AFTER TAX

GROSS CAPITAL RATIO OF
8.0%

NEW LENDING OF
£120m

£78k
OF LOCAL DONATIONS

TOTAL ASSETS
£485m

2022 **KEY HIGHLIGHTS**

In this Report

KEY PERFORMANCE INDICATORS

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

SIGNIFICANT STATISTICS	2022	2021	2020	2019	2018
Total Assets £m[1]	485.1	452.8	435.2	433.7	407.8
New Mortgage Lending £m	120.7	87.7	71.9	89.8	94.0
Mortgage Assets Growth	9.6%	4.6%	2.9%	4.0%	11.7%
Retail Share Balances Net Increase £m	13.1	3.1	4.6	28.9	20.8
Total Savings Balances Net Increase £m[2]	11.5	3.7	2.6	29.7	24.9
Profit After Tax £m	1.90	2.31	1.46	1.89	1.75
Return on Assets (%)	0.41	0.52	0.34	0.45	0.45
Net Interest Margin as a % of Mean Assets	2.25%	2.07%	1.86%	1.87%	1.91%
Management Expenses as a % Mean Total Assets	1.64%	1.48%	1.36%	1.27%	1.27%
Cost to Income Ratio	72.68%	70.90%	73.54%	68.21%	66.46%
Allowance for Loan Impairment as a % of Loans and Advances to Customers	0.21%	0.13%	0.22%	0.21%	0.22%
Liquid Assets as a % of Shares and Borrowings[1]	18.72%	20.67%	20.97%	23.06%	21.23%
Mortgage Arrears on Accounts >2 months in arrears £m	0.26	0.20	0.15	0.09	0.06
Gross Capital as a % of Shares and Borrowings	7.90%	8.01%	7.75%	7.38%	7.34%
Leverage Ratio as Tier 1 Capital as % of Total Assets	6.57%	6.88%	6.78%	6.45%	6.35%
Common Equity Tier 1 Capital as % Risk Weighted Assets	18.27%	19.48%	19.00%	19.68%	19.38%

(1) In 2018, 2019, 2020, 2021 and 2022 respectively the Society held cumulative drawdown balances of £4m, £0m, £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 2018, 2019, 2020, 2021 and 2022 the repurchase agreements were for Nil, Nil, Nil, Nil and Nil which brings that funding on to the balance sheet and leaves £4m, £0m, £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.
- **Net Interest Margin as a percentage of Mean Assets** measures the Society's rate of return on the assets used to generate this return, net of interest payable, but before applying any administrative costs.
- **Cost to Income Ratio** shows the relationship between the income earned and the administrative cost of running the business, and thereby acquiring that income.

Board Chair
Alison Chmiel

"Our Society sits in stark contrast to the wider picture of instability, with its longstanding and simple model; providing members with rewarding ways to save, while supporting the provision of homes across the UK with its mortgages."

STATEMENT FROM THE BOARD CHAIR

Following a number of years where political and economic events have been anything but predictable, we have learned to expect the unexpected. However, even against the volatile benchmark of recent years, 2022 was a year of extremes. The UK landscape saw inflation at a 40 year high, Central Bank interest rates increasing to levels not seen for over a decade, and the Government under the leadership of three different Prime Ministers and four Chancellors. On the global level too, Russia's invasion of Ukraine, China's evolving Covid strategy and supply chain issues across the globe gave rise to a backdrop of soaring prices, especially as regards energy and food. Economies around the world have experienced economic slowdown, coupled with rising inflation.

Our Society sits in stark contrast to the wider picture of instability, with its longstanding and simple model; providing Members with rewarding ways to save, while supporting the provision of homes across the UK with its mortgages. The strong profitability and growth that are presented in this year's Report and Accounts would certainly support this view.

Looking ahead to 2023, the UK, along with many other economies around the world, looks nearly certain to head into recession. We are already in the grip of a cost-of-living crisis, and despite this, central banks look likely to continue to raise interest rates, at least in the near term.

In this environment, we will need a strong continued focus on the commercial success of our Society, in order that we can remain competitive with our Members' savings rates and keep investing in the necessary digital transformation of our infrastructure. We also need a heightened awareness of the difficulty that some borrowing Members may have in affording their mortgage payments, as higher interest rates and higher inflation have both significantly impacted their household budget.

Balancing the need to pass through higher interest rates to savers, while avoiding an undue burden for borrowers is not an easy balancing act. However, as an organisation owned by Members from both these groups, I believe we are succeeding, and with no shareholders to pay, our mutual ethos is a strength at this time.

As we reported last year, Jeremy Cross and Rob Clifford stood down from the Board during the year and were replaced by Rachel Haworth and Keith McLeod. To support with the effectiveness of the new team, the whole Board and Executive Team held additional meetings during the year, to understand one another's ways of working and identify opportunities to further increase the effectiveness of Board and Board Committee meetings. The ideas generated covered the content of Board papers and best practices for the effective operation of the meetings. I have been pleased to see that adopting these improvements has helped further strengthen what was already a very effective governance process.

The Society starts 2023 in a strong financial position with a clear forward-looking strategy, and I am confident it is well placed to succeed during what will continue to be turbulent times. I appreciate that many Members and colleagues of the Society may find the coming year challenging due to the cost-of-living crisis, and I would like to take this opportunity to thank all our Members for their custom, and our colleagues for their hard work across 2022 and in to 2023.

Alison Chmiel
Board Chair
2 March 2023

Mansfield Town Centre, by day

Chief Executive

Paul Wheeler

"I'm extremely proud that the Society not only successfully navigated the challenges of 2022, but did so with record breaking mortgage lending and strong financial performance."

CHIEF EXECUTIVE'S REVIEW

When we were planning for 2022, I couldn't have predicted the economic challenges we've had to face in recent months. 2022 was a year of uncertainty on many fronts, whether that be the many changes in political leadership, the multiple global challenges, including Ukraine and Covid, and of course rising inflation and interest rates as the Bank of England sought to dampen demand.

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

We continued to develop our offering to Members in 2022 by launching our upgraded online savings portal which now offers a range of exclusive products which can be opened and serviced online. This has added to our bright and modern branches and highlights our commitment to offer a choice of access for our Members.

BUSINESS PERFORMANCE

Despite the economic turmoil, I'm pleased to report that the Society continues to grow with a record breaking £120.7m of new mortgage lending, leading to 9.6% growth in mortgage assets and profit after tax of £1.9m.

The Society's mortgage lending proposition is based on the provision of a competitive range of fixed and discounted mortgages, mainly for owner occupiers but also for Buy to Let landlords and a small tranche of development finance. The Society's purpose is defined as '*Providing homes for people and their savings*' and our lending is therefore to private homeowners, those providing homes as rental properties or small developers who are building new homes. In recent years we have developed our capabilities to allow lending where appropriate returns for risk can be made, and this has led to an increasing number of self-build mortgages as well as supporting first time buyers with shared ownership properties and parental guarantee mortgages. 2022 has also seen the launch of our range of Buy to Let products to landlords wishing to manage their portfolio through a company set up as a Special Purpose Vehicle. We also believe that it is important as a mutual, to offer products to people at all stages of life and therefore we continue to offer mortgages to people with credible repayment plans who require interest only mortgages and to those seeking mortgages beyond normal retirement dates.

We started the financial year with a lower pipeline than previous years, partially as a result of the stamp duty exemption ending in September 2021 which had led to a large flow of business completing at the end of the previous financial year. With a new Covid variant (Omicron) circulating at the time, and a lack of properties coming onto the market, business remained quiet until March 2022. During this first quarter we were able to finish our review of the mortgage application process and when business started to flow, we were in a good position to handle much higher volumes than in previous years. As the year progressed, we broke our previous monthly mortgage applications record (£19.6m) three times and ended November having achieved £31.6m of applications in the month. These excellent volumes have led to record lending in the year with completions being £120.7m (2021: £87.7m); an increase of 38% over prior year and £26.7m higher than our previous record. This lending was also supported by a strong retention performance with more borrowers choosing to remain with the Society when their products ended than in previous years and the overall growth in the mortgage book was 9.6% (2021: 4.6%).

Despite the challenges of the market, our arrears levels have remained low and whilst we have seen an increase in early arrears during the year, many of these customers are managing to get back on track quickly with support from our collections team. The number of cases two months or more in arrears has increased slowly from 46 to 55 year on year with the value in arrears rising from £150k to £255k on mortgage balances of £4.9m (2021: £3.6m). With a book of nearly £400m, this remains a very small portion of the lending and gives us a good base from which we will be able to manage the expected future rises in arrears that the cost-of-living crisis and increasing interest rates are likely to bring. To date, it is comforting that borrowers have been collectively able to withstand recent stresses created by the wider economy and whilst we ended the year with no properties in possession, we continue to be prepared for a rise in arrears next year.

Our book has the benefit of being underwritten against a prudent lending policy and we have a low average loan to value of 37.3%, which will give us significant headroom if house prices suffer a downturn as many economists are forecasting.

In summary, 2022 has been a year of strong growth in a challenging market, and without seeing the adverse mortgage arrears which might be expected in such an uncertain economy. What I'm most proud of, is that these successes have been achieved by colleagues who continue to operate with a smile on their face. There have been times during the year when the Society has been under pressure to handle large volumes and whilst our processing speed continues to be something we are working to improve, we have talented, hard-working colleagues who care about their work and who go the extra mile to help our customers. This positive culture was once again highlighted by the fact that we maintained our 2-star accreditation in the Best Companies awards as being a great place to work and continued to attract excellent talent to the Society during the year.

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

After updating our online savings platform with new functionality last year, we have significantly increased our range of products that can be opened and managed exclusively online. We've also taken up an opportunity with an Open Banking platform called DirectID to make the mortgage application process easier for borrowers, and there will be more exciting change to come in future years, as we look to improve our borrower and saver customer experience in the years ahead with a digital transformation programme that will overhaul our systems and processes.

BUSINESS MODEL

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

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

PURPOSE

Providing homes for people and their savings, helping to create a sustainable future.

The Society has been providing mortgages and savings accounts for 152 years and we do not intend to deviate from this purpose. We see helping people find a home, whether that be directly via home ownership or indirectly via landlords and developers as being a core reason for our existence. As a mutual financial services provider, we are able to support a wider population of potential homeowners due to our human approach to the assessment of lending. We believe this supports the sustainability of our business as well as the sustainability of homes for people. We also feel passionately that people should save to create sustainable financial futures. This can take the form of small regular monthly amounts up to large lump sum investments and we provide products and services to support all types of saving.

VISION

Our Vision is to be - Bigger, Better, Brighter, Together.

A Society that grows steadily to provide a sustainable future for all its Members — **BIGGER**

A forward thinking Society striving to improve our services and offerings to our customers — **BETTER**

A great place to work that shines through in our people — **BRIGHTER**

An inclusive Society that gives back to our Members and our community — **TOGETHER**

VALUES

We are driven by our four core values, which represent what the Society stands for and form the basis for how it is governed. The values were developed by colleagues from across the Society and ensure the Society does the right thing by our customers, communities and people.

PEOPLE FIRST
We focus on the needs of current and future Members, our colleagues, and supporting the communities in which we serve.

INTEGRITY
We meet our obligations and create positive outcomes for customers, colleagues and the community.

FORWARD THINKING
We constantly look for ways to bring about positive change for the benefit of the Society, its Members and the environment.

POSITIVE & PRODUCTIVE
We are adaptable and efficient, working together towards a common goal to offer great service whilst having fun.

STRATEGY

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

This strategy is supported by a series of strategic aims:

1 FINANCIAL
We will sustain the financial strength required to provide high-quality services and value to our Members.

2 PEOPLE
We will create an inclusive, great place to work that allows our colleagues to grow and thrive.

3 SALES & SERVICE
We will offer first class, multi channel, efficient customer service, supported by technology, delivered with a human touch.

4 PRODUCTS
We will offer fair value products that deliver great outcomes for our Members with a focus on providing solutions to meet the underserved needs in our chosen markets.

5 GOVERNANCE
We will operate within an effective governance framework which is underpinned by openness with stakeholders, ethical decision making and integrity of leaders.

6 COMMUNITY
We will provide financial and social support to improve the lives of people within the communities that we serve.

7 ENVIRONMENT
We will provide opportunities for our Members to support environmental improvements and have a vision for the Society to be net zero by 2035.

8 TECHNOLOGY
We will provide the technology that will deliver the customer journeys that our customers want and need and the efficiency that the Society requires.

Over the next 2-3 years the Society will be embarking on a significant investment in technology that will transform our digital offering and provide a more efficient service to our Members, in a way that supplements our existing branch network. This program has commenced with work on understanding our processes and customer journeys and will evolve into our future requirements for both processes and technology which will then be delivered over future years.

Paul Wheeler
Chief Executive
2 March 2023

OUR COMMUNITIES

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 Community Scheme and offering financial support to local organisations through our Community Support Scheme and our Charitable Trust.

In total during 2022, the Society has donated over £77,000 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 fund raising events such as Stanley's Stomp, a sponsored walk between our four branches to raise money for our Charity partner, Nottinghamshire Mind.

CHARITY PARTNER

Our colleagues chose to support Nottinghamshire Mind as our Society charity in 2022. A target was set to raise £5,000 in the year and a number of events took place in 2022 with the most successful one being the scaling of Ben Nevis by our colleagues Jen Ward and Holly Smith, who took on this challenge with friends and family raising over £1,000. Colleagues also took part in the Mental Elf fun run which was sponsored by the Society, and we continued the tradition of the Charity Christmas lunch which was cooked by colleagues for individuals in Head Office. The many events raised a total of £5,256 and we were delighted to reach the target set.

We are proud to announce that our colleagues have chosen to support Alzheimer's UK as our Society charity during 2023.

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 2022 we achieved a total of over 100 days effort supporting local organisations including serving Christmas meals to the elderly in Kirkby, painting the play equipment at Farmilo Primary School, Christmas wrapping help at primary schools, litter picking, tree planting, shrub clearing and support for the financial education programme run by WizeUp and the Secret Santa Toy Appeal with Mansfield District Council - this support included promoting, sorting and delivering over 1,000 toys in the local community to ensure that children didn't go without a present at Christmas.

COMMUNITY SUPPORT SCHEME

The Society's Community Support Scheme contributions totalled £17,973 in 2022 (2021: £21,593) 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:

The Community Support Scheme donated £500 to the Secret Santa Toy Appeal with Mansfield District Council as well as collecting, wrapping and delivering the toys.

In November 2022, our Community Support Scheme donated £1,000 to Leon's Legacy to allow them to purchase two outdoor defibrillator cabinets. The new cabinets will mean that defibrillators can be placed outside at local schools.

Leon's Legacy is an Ashfield-based charity set up in 2019 following the sudden death of a school supervisor and aims to improve the availability of defibrillators at schools.

Schools are popular and regularly used community institutions, and with many people calling for better cardiac screening in the young, making defibrillators available in these locations could be a real lifeline in an emergency situation.

Holly Younger, Chair of Leon's Legacy, said the donation would help ensure life-saving equipment can be available to the community 24/7:

"By purchasing cabinets, the defibrillators can be publicly available at local schools. These will also be registered on a national database, ensuring the emergency services can direct people to them should the time come.

We're very grateful to the Mansfield for this donation in helping us to extend the availability of defibrillators to the local community."

By donating £300 to Wellow Exiles CC, we were able to help them replace pads and other kit that can be lent out to make the game more accessible as the cost of equipment was being seen as a barrier to people enjoying the sport.

A £600 donation to Nottinghamshire Wildlife Trust allowed their youth team to manage a wild urban nature reserve. They have been actively managing Woodthorpe Meadow for over 3 years now, creating a new management plan and improving the biodiversity of the small reserve from wildflower meadow restoration to hedgerow planting, increasing the overall ability of the reserve to sequester carbon and improve the environment as well as creating a space for wildlife to thrive in the city and people to connect with the natural world. Our donation supplied much needed materials and equipment to allow this work to continue.

Geoff East – Charitable Trusts Officer said:

"Your donation helps our youth team take an important step in managing our beautiful, buzzing, and chattering wild urban nature reserve and also helps in our fight to mitigate the effects of climate change. You've done a wonderful thing to help wildlife – thank you all very much."

At this time when the cost-of-living crisis is making it difficult for many people to put food on the table, we were pleased to support a great project at St Johns Community Food Bank where they grow food to supply the foodbank. They needed safe pathways to allow access around the allotment regardless of the weather and we were happy to provide a £500 donation to make this possible.

The Society made donations to 28 organisations and 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 the Community Support Scheme, the Society operates a Charitable Trust Fund which is used to fund larger charitable donations and provide enduring support to our local communities. Funding is received partly via our contribution from the Community Saver Account balances and partly from profits made during the year.

By the start of 2022 the fund had a total balance of £221,297 and during the year the trustees awarded Unanima Theatre group two donations totalling £23,500. Unanima Theatre are a community theatre company working with people with autism and learning disabilities. The company aims to create unique, witty and provocative performances, based on their lives, experiences, questions and frustrations. The donations allowed Unanima to tour a production in 2022 and supported the production of stand-up comedy.

Tracy Radford, Creative Producer at Unanima Theatre explained:

"*Unanima addresses the underrepresentation and lack of arts ambition and opportunity for learning disabled and autistic people, campaigning for a greater emphasis to be placed on diversity. This fantastic donation from Mansfield Building Society's Charitable Trust is crucial match funding for the theatre's Arts Council England bids and will allow us to take our latest production on tour, expanding our reach even further*."

The Charitable Trust has also agreed to fund an ongoing programme of Financial Education in local schools and colleges. This programme is being run by specialist provider WizeUp, with support from Mansfield Building Society colleagues and during 2022 the programme was delivered to four schools as we started to roll it out. Some of the topics covered were Tax, Pensions, Saving & Investing as well as budgeting and form filling. Each session was tailored to the school and age of the students and our Portland College and Beech Academy days included a visit to our Mansfield branch. We received excellent feedback on all the sessions and have had requests to repeat them in future academic years.

"*The sessions fit the brief perfectly and had the right balance of delivery plus activities.*"

"*There was nothing that I could fault - the speakers were excellent, engaging and professional.*"

The trust also agreed to donate £16,169 to Rainbows Hospice to support the purchase of an electric vehicle which will allow the hospice to visit children in their own homes in our region. The hospice does an amazing job of providing care to children and their families and being able to extend this care to peoples' homes will allow them to reach more children who are in need of their support.

During the year, the balances on our range of Community Saver Accounts grew to £31.9m - these accounts pay a competitive rate of interest to our savings Members and also accrue a 0.1% annual contribution from the Society into the Charitable Trust Fund.

In total, the Society has provided £51,941 into the Charitable Trust Fund during 2022, to enable the fund to support more local charities and initiatives. The balance of the fund at the end of 2022 was £225,126.

90%

of colleagues feel a strong sense of family in their team.

OUTSTANDING
TO WORK FOR
2022
cert.b.co.uk

OUR COLLEAGUES

Through its people strategy, the Society aims to:

- be an Employer of choice
- live and breathe an engaging and inclusive culture
- develop our colleagues for success
- support and promote colleague wellbeing
- reward colleagues fairly and in keeping with our values

EMPLOYER OF CHOICE

We believe strong colleague engagement supports us in recruiting and retaining the best individuals, who can help the Society succeed, thereby benefiting Members. For the second year running, in 2022 the Society was awarded a 2-star accreditation in the Best Companies Survey for 'Outstanding commitment to employee engagement'. Best Companies ranked us in its top 100 nationally, and its top 20 within our sector. Engaging in the Best Companies accreditation process involves an anonymous survey to all our colleagues, which we then also use to gather useful insight on where we might be able to further improve engagement.

The Society operates a Hybrid Working model, which means many colleagues spend some of their week working from home, and some working out of an office or branch. We believe this can be done in a way that helps them balance work and life demands, while also driving strong productivity and engagement. It's important that we continue to evolve and learn best practice in operating this model. During 2022, colleagues attended workshops on Managing in a Hybrid Working Environment, to support them in getting the best out of this. We are also continuing to evolve our technology to support this, and we are currently implementing Office 365, which will provide colleagues with better online collaboration tools.

EQUALITY, DIVERSITY, AND INCLUSION

The Society is committed to the provision of diversity and inclusion and to ensuring its management team are well versed in the social skill sets required to manage a multi-cultural and highly engaged workforce.

Having agreed its strategy for equality, diversity and inclusion during 2021, the Society began rolling this out in 2022. As part of this, inclusion workshops were run to explore what inclusion means for our colleagues and inform future action. An Inclusion Forum has also been established with nine representatives from across the organisation. This forum's purpose is to support the Executive in delivering the strategy, as well as to provide a feedback mechanism for the Executive to improve their awareness of how they can have the most positive impact.

The whole management team has attended a number of CPD accredited workshops around equality, diversity and inclusion; accreditation the Society is very proud to have achieved. In 2022, the training agenda continued to cover issues of relevance to inclusion, and included two Menopause workshops, 'Managing Menopause in the Workplace' and 'Managing my Menopause'.

More informal 'lunch and learn' sessions took place, such as one where two colleagues offered to share their personal experiences of celebrating Diwali and Ramadan. Training was also run for all managers on The Equality Act.

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 2022			31 December 2021		
	Male	Female	% Female	Male	Female	% Female
Directors	5	3	38%	7	3	30%
Senior Management Team	5	3	38%	3	3	50%

DEVELOPMENT

The Society is committed to the ongoing development of colleagues at all levels, including the provision of bespoke internal training programmes as well as accessing external courses to encourage personal development and career progression.

Through a recognised in-house Learning & Development Specialist, the Society has built a Leadership Programme for colleagues with management responsibilities, and a Management Development Programme based on 'CMI' Level 3 and Level 5 skill sets, to prepare colleagues for future supervisory and management roles. This supports the Society's talent mapping and succession planning processes. To date 23 managers have completed one of these two programmes, which commenced in 2018 and are now in their third phase.

COLLEAGUE WELLBEING

The Executive aim to foster a culture where the wellbeing of our colleagues is treated as a priority. Managers are required to have regular one to one meetings with their team members, and are encouraged to use these to build trust and surface any wellbeing issues that need addressing. The Society has a team of volunteers who act as mental health first aiders and also provides access to independent counselling via a third-party.

To further support openness, a Colleague Forum exists, which enables people to surface matters they would like to see improved. The Colleague Forum works autonomously to directly address issues where they can, but also has a representative who is invited to each Executive Committee meeting to enable escalation where appropriate. The Chair of the Colleague Forum also has regular catch ups with the Vice Chair of the Board to ensure that there is a clear voice at all levels of the Society.

The cost-of-living crisis has impacted many across the UK this year, and our colleagues were no exception. To help any colleagues experiencing financial difficulty, the Society has two schemes available, The Colleague Welfare Loan and The Colleague Hardship Grant. The Colleague Welfare Loan is an interest free loan for colleagues facing short term financial difficulties which is repaid over an agreed period of time and The Colleague Hardship Grant is a one off non repayable grant for colleagues experiencing exceptional or unexpected hardship. All applications to these schemes are considered anonymously by a panel of three, comprising two Members of the Executive Committee and the Head of HR.

REWARD

An annual salary review takes place for all colleagues, and all roles in the organisation were benchmarked against the market as part of this during 2022. Insight from this as well as monitoring of salary inflation more broadly helps to inform the setting of salary increases, with the intent that every role should be fairly rewarded. Benchmarking is also carried out across the benefits offered to ensure the overall package remains appropriate and competitive.

During 2022, out of concern around the exceptional rates of inflation on food and energy bills, we also made a one off £600 cost-of-living award to all colleagues below Executive level, outside of the annual pay review.

ENVIRONMENT

The impact of climate change is taken very seriously by the Society, 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 Committee, Risk Committee and Board.

KEY CLIMATE RISKS

There are two key types of risk associated with climate change: the risks that arise as the economy moves from a carbon-intensive one to net-zero emissions, known as transition risks; and risks associated with the higher global temperatures likely to result from taking no further policy action, known as physical risks.

The Bank of England publishes a Climate Biennial Exploratory Scenario (CBES) which attempts to draw out the direction of travel and impact of Climate Change using plausible representations of what might happen based on different future paths of climate policies, technological developments and consumer behaviour that are aimed at limiting the rise in global temperatures.

The CBES includes three scenarios exploring both transition and physical risks, to different degrees. The exercise considered two possible routes to net-zero UK greenhouse gas emissions by 2050: an 'Early Action' scenario and a 'Late Action' scenario. A third 'No Additional Action' scenario explores the physical risks that would begin to materialise if governments around the world fail to enact any responses to global warming and continue down the current path.

The scenarios used flow across a number of the outputs, and can be defined as follows:

CBES CLIMATE SCENARIO	EMISSIONS SCENARIO ILLUSTRATION	INCREASE IN TEMPERATURE BY 2100
Early Action	All countries implement Paris Accord	1.7 - 3.2°C
Late Action	All signatories implement Paris Accord	2.0 - 3.7°C
No Action	BAU (no change)	3.2 - 5.4°C

The key threats to the Society's business in terms of Climate Risk are principally the physical risk of properties held as security for lending, plus transitional risk of the carbon footprint created by its own properties from which it operates, the commuting of employees, and the purchase of goods and services from third-parties.

TIMEFRAME	PERIOD
Short Term	10 Years or Less
Medium Term	10 to 20 Years
Long Term	20 Years +

PHYSICAL RISKS

The Society has recently updated the independent assessment of its mortgage portfolio against three scenarios, Flooding, Subsidence and Coastal Erosion, considering the impact of an increase in global temperatures of between 0.9% and 5.4%.

The key physical risks to our business result from lending on properties that become un-mortgageable, or have their value impacted due to climate change. This can be as a result of an exposure to an increased risk of flooding, subsidence or coastal erosion. There are a number of other perils which can manifest themselves as a result of Climate Change, but these are less likely within the UK, and not considered within the assessment:

PERIL	DESCRIPTION / IMPACT	CURRENT RELEVANCE	TIMEFRAME
FLOODING	Wetter winters and more concentrated rainfall events will increase flooding from coastal, river and pluvial sources.	LOW	Long Term
SUBSIDENCE	Drier summers will increase subsidence on shrink/swell clay.	LOW	Long Term
COASTAL EROSION	Increased storm surge and rising sea levels will increase the rate of erosion. Property close to the coast may be impacted.	LOW	Long Term
WINDSTORM	Climate change forecasts do not suggest that extreme windstorm events are going to become more frequent. The current mean UK wind speed is 4.2 m/s. In 2050 with high emissions, it is suggested that this might fall to 4.1 m/s.	LOW	Long Term
HEAT STRESS	Increased heat stress will be an important impact of Climate Change and will be felt most in the south of England. However, it is not clear that this increase will materially impair the value of property.	LOW	Long Term
DEMOGRAPHIC AND ECONOMIC IMPACT	Global economic destabilisation, collapse of traditional agricultures and increased tourism are all significant potential impacts of Climate Change.	LOW	Long Term

The exposure to Climate Risks is considered by the Risk Committee and Board on a biennial basis, and the results are included in the assessment of Capital Adequacy produced each year (ICAAP).

TRANSITIONAL RISKS

Transitional Risks have the potential to affect the Society in a number of areas, from changes to Government Policy, the use of third-Party Suppliers and their own Green credentials, carbon pricing once offsetting becomes an option, and any minimum EPC ratings that will apply to the properties on which the Society lends money.

Lower rated properties may be required to undergo expensive remediation, and there is likely to be a transition to minimum energy ratings across books by 2030, starting with Buy to Let properties which need to be EPC rated at C or above by 2025 (assuming the Government’s intentions in this regard are passed into law).

Some of the impacts will be short term and therefore likely to have a higher impact, particularly the minimum EPC standards for Buy to Let properties, however many are medium to longer term and have a lower potential impact.

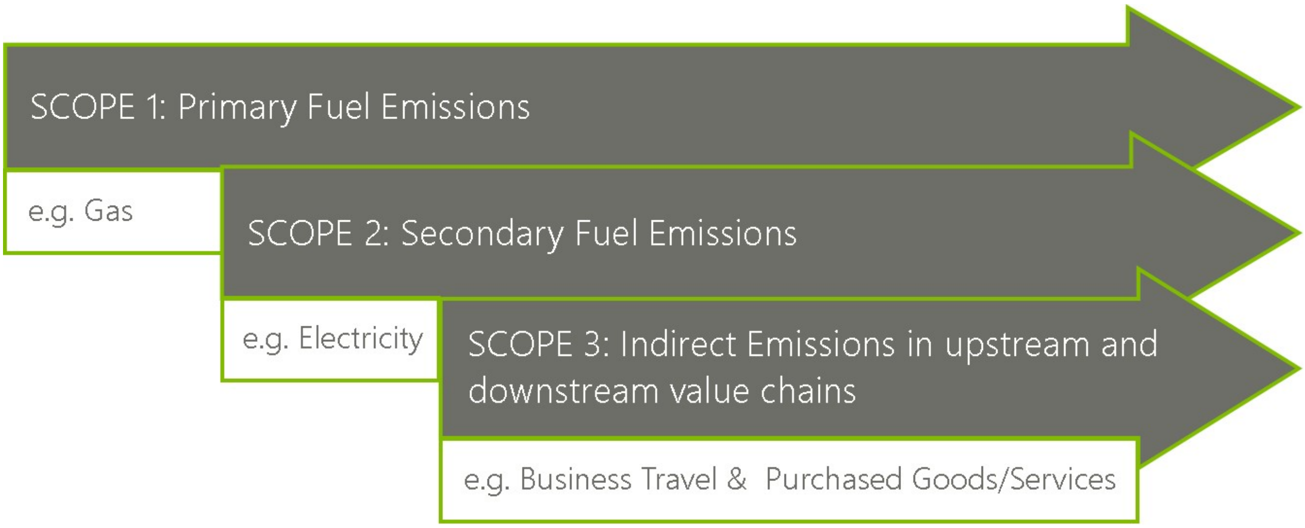
GETTING THE SOCIETY TO NET-ZERO CARBON

The Society's vision is to be net-zero by 2035. Achieving net-zero is accomplished through reducing emissions as much as possible, and offsetting the remainder.

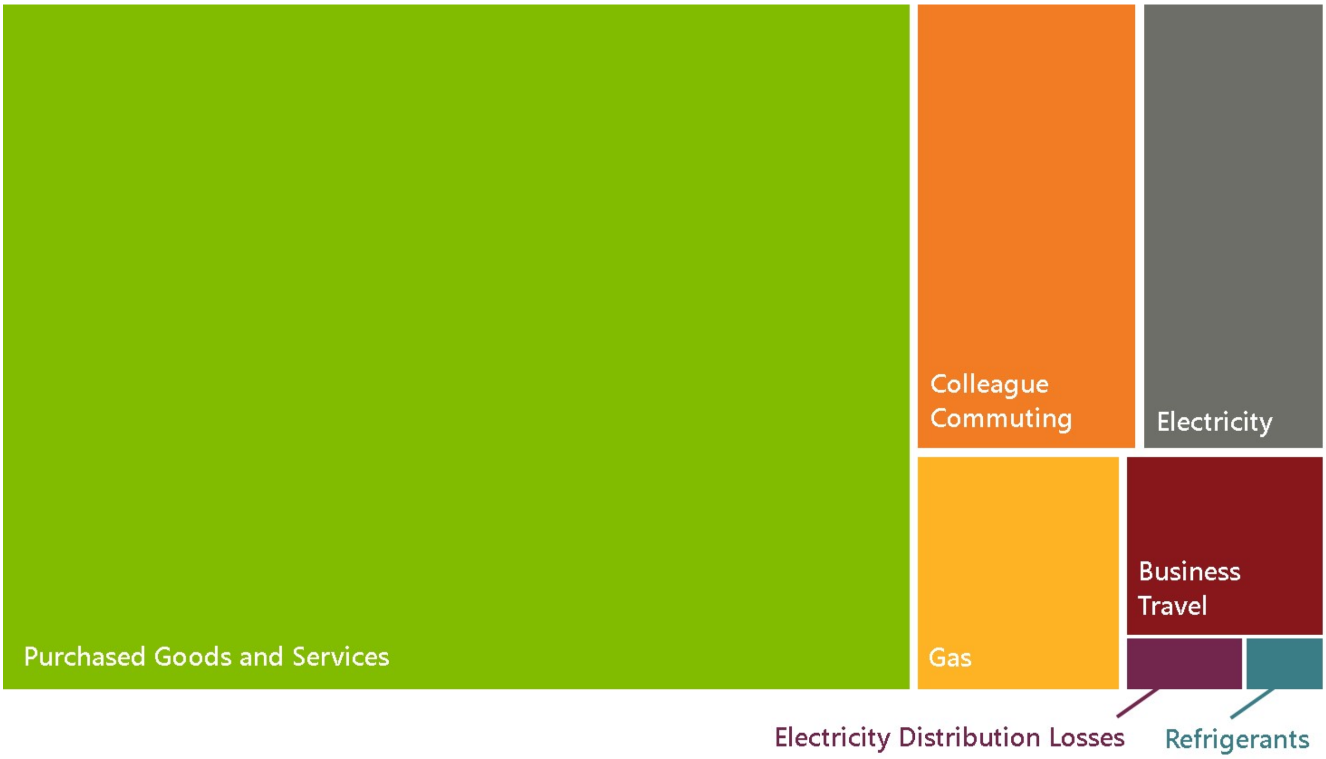
Reducing emissions at source, reduces the costs to offset. Both reductions and offsets will come with a financial impact as well as cultural and operational changes to maintain them.

It is not acceptable to simply offset all of your footprint and declare net-zero, to adhere to the recognised frameworks' philosophies, net-zero can only be declared once 'meaningful reductions' have been achieved for the operational emissions.

Emissions come from 3 sources as detailed below:

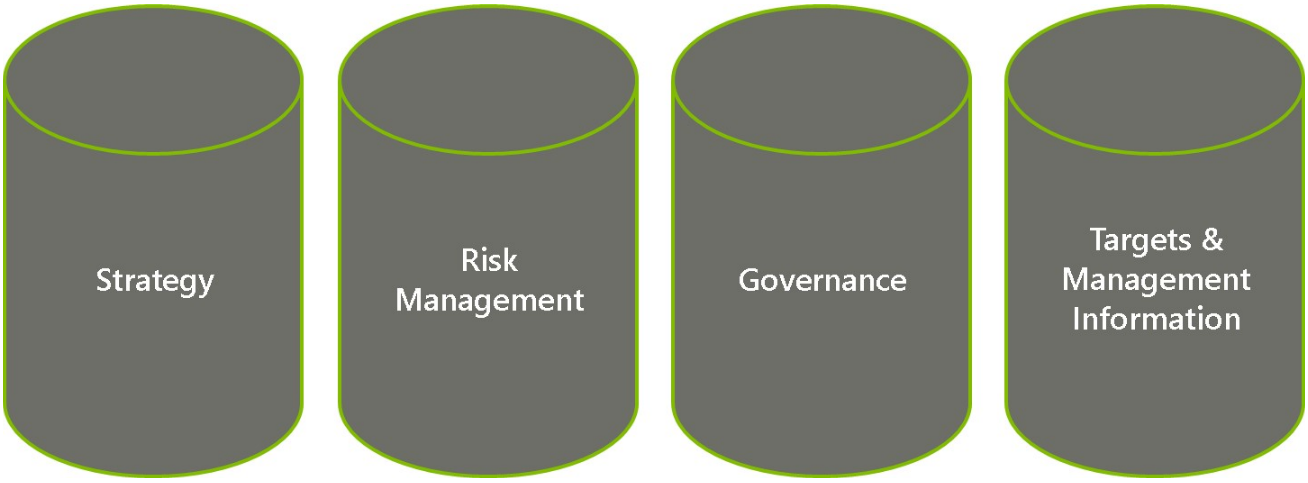


The Society's more material Carbon Footprint is created by those Indirect Emissions in the supply chain and through business travel. The graphic below identifies the proportion of the emissions from each key area, using 2019 as a baseline year to mitigate the impact that the COVID pandemic had on all businesses throughout 2020 and 2021.



ROADMAP OF PROGRESS TO DATE

There are four key pillars to the Society's climate change plans as detailed below:



The table below highlights the achievements to date, and those future activities which are anticipated to take place in our move to becoming a Greener Building Society:

ACHIEVEMENTS TO DATE	FUTURE DEVELOPMENTS
STRATEGY	
▪ Climate Change risks considered in annual strategic planning and incorporated into our Corporate Plan. ▪ Launch of a further advance product to assist borrowers in making their homes more energy efficient. ▪ University student resource used to identify opportunities for reducing our Carbon Footprint. ▪ Actively supporting more eco-friendly Modern Methods of Construction within our self-build lending portfolio.	▪ Develop a broader range of products with a range of green finance options, including savings accounts. ▪ Develop Member information to increase awareness of green issues through mailings or information on the website. ▪ Identify strategic partners and 3rd parties with green credentials in order to help reduce our carbon footprint. ▪ Consider funding a Green Education programme ▪ Consider and implement opportunities identified by student resource. ▪ Initiatives for staff to use low carbon transport options, reduction and recycling of waste, reducing unnecessary consumption of goods and services. ▪ Introduce cycle to work and electric car schemes. ▪ Replacement of the Society van with an electric or hybrid replacement.
RISK MANAGEMENT	
▪ Established a Risk Appetite for the management of Climate Change risks. ▪ Enhanced understanding of those future risks inherent within our mortgage book, with initial discussions on changes required in the short to medium term. ▪ Climate Change risks considered within the annual ICAAP reporting process.	▪ Consideration of Climate Change risks in lending decisions.
GOVERNANCE	
▪ Senior Management Function (SMF) for Climate Change allocated to CEO. ▪ Society wide engagement with some climate related activities.	▪ Embedding of Climate Change considerations in all Society policies. ▪ Ongoing education of colleagues on Climate Change matters through training and communications. ▪ Develop procurement policies and supplier questionnaires to advise the supply chain of our objectives and expectations to assist with scope 3

	reductions and data acquisition to inform the reductions. ▪ Establish a working group to develop the introduction of an internal shadow price of carbon to bring the conversation around Climate Change and net-zero obligations into investment and financial decisions.
TARGETS & MANAGEMENT INFORMATION	
▪ Society Carbon Footprint established with a base year of 2019 using external consultancy review. ▪ Mortgaged property related risk data now established and updated biennially, with overall improvement in average EPC ratings seen to date. ▪ Windows upgraded at Head Office, and LED lighting installed. ▪ Sensor lighting introduced in a number of areas. ▪ Removal of plastic cups from water coolers, and recycling of waste materials where applicable.	▪ Implement systems to allow capture of all climate related risks on our mortgage portfolio. ▪ Specific targets to be established. ▪ Identify further activities to reduce waste, water and energy usage. ▪ Specifically source 100% certified renewable electricity provider. ▪ Internal data collection of energy, water and other consumables to enable regular monitoring of Society's Carbon Footprint to take place.

Mansfield Town Centre, by night

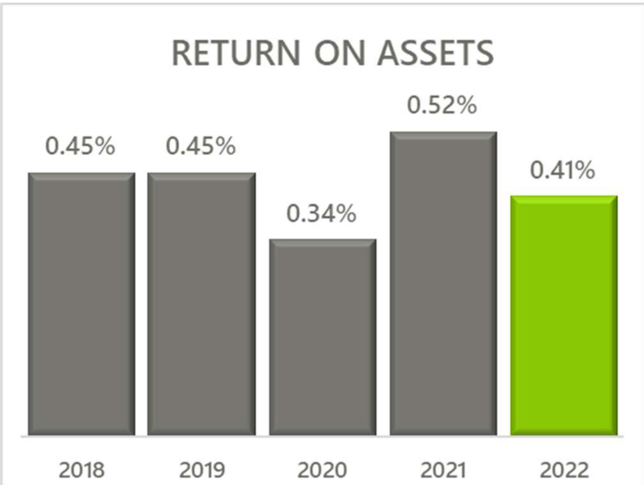
Finance Director

Daniel Jones

"The Society has built a very robust capital position over recent years and can embark on its digital transformation from a position of strength."

FINANCIAL REVIEW

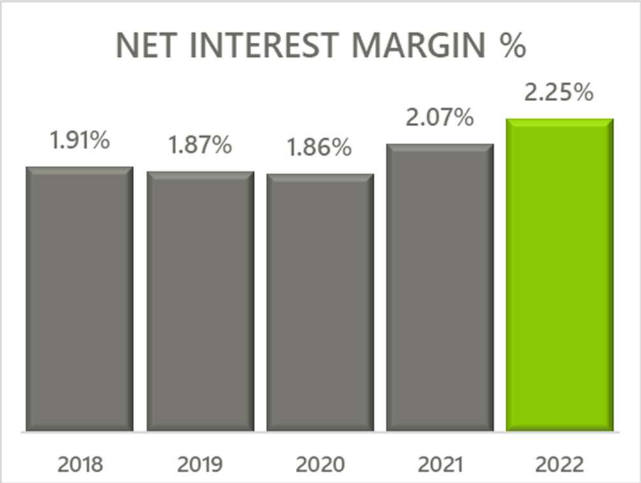
PROFITABILITY



The Society has delivered strong financial performance in the year, recording a profit of £1.9m and a return on assets of 0.41%. This was a better result than budgeted, supported by strong growth in the mortgage book, and a strategy of managing liquidity to a more efficient level. Comparing the result to the prior year, both 2021 and 2022 have some significant one-off gains and losses, and the underlying result without these effects was actually quite similar.

The 2022 profit included one-off gains from derivative financial instruments and their underlying hedged assets of £228k (2021: gain of £137k), which arose from fair value changes in its swap portfolio, and losses from increasing the provision for bad debts of £360k (2021: gain of £300k). Without these two factors and assuming the same rate of tax were payable, the 2022 profit would be £2.01m (2021: £1.96m), both of which are more comparable to historic levels. Building the provision for bad debts is clearly appropriate in this economic environment, but comparison of the results without this effect is also instructive in terms of understanding trends in the Society's performance.

NET INTEREST MARGIN



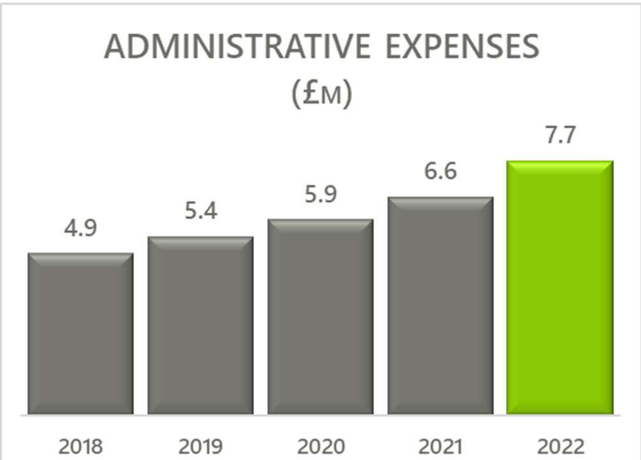
Net Interest Margin is primarily the interest income from the mortgage and liquidity portfolios, minus the interest payable on the savings portfolio and treasury funding. The margin percentage is divided by mean Total Assets across the year.

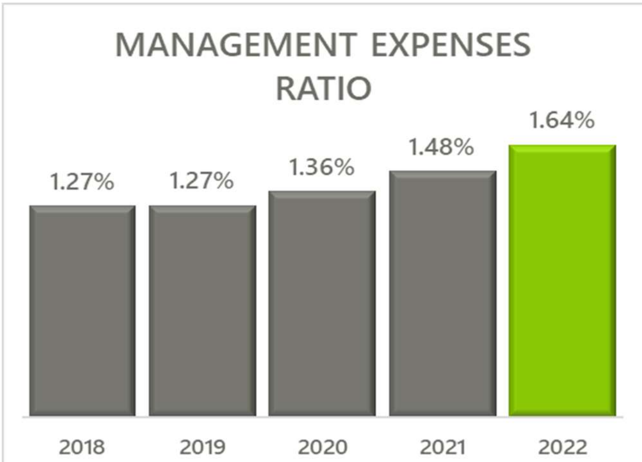
The Society continues to maintain a very healthy margin from which it is able to cover administrative costs, any credit losses and any increases it needs to make in its provisions. In its management of net interest margin, the Society seeks to maintain a strong margin, by maintaining a diversified mix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

This diversification in lending continued during 2022, for instance with year-on-year growth in the segments of Self-Build, Buy to Let where the landlord operates via a limited company and Development Finance. Prime Owner-Occupied Residential mortgages remain by far the largest portion of the mortgage book, but these niche segments help to maintain a strong margin.

To further support the strength of its net interest margin, the Society has also worked to manage its liquidity risks in such a way that fewer liquid assets are needed as a proportion of the overall balance sheet size. Consequently, the liquidity ratio reduced from 20.67% to 18.72% between the end of 2021 and 2022, and this helped to boost margin, by allowing mortgage growth without a commensurate increase in the liquidity portfolio. This remains a robust level of liquidity, as is discussed later in this report, but allows the Society to operate more efficiently.

ADMINISTRATIVE EXPENSES (INCLUDING DEPRECIATION)





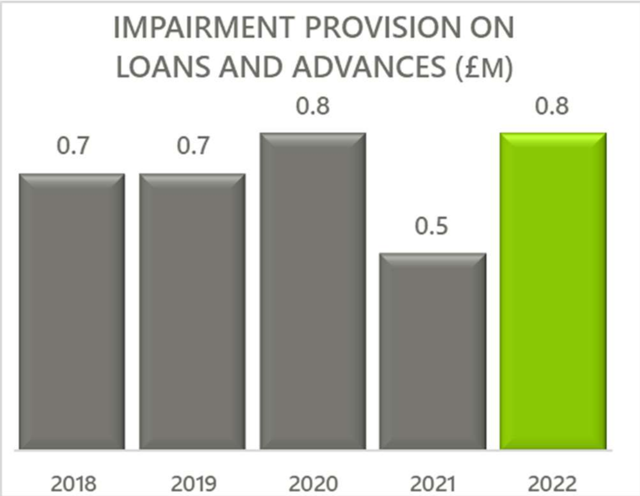
Administrative Expenses continued to rise in 2022. Price inflation in the UK economy was a key part of this. The Bank of England sets monetary policy to achieve the Government's target of keeping inflation at 2%, but global events left inflation running significantly higher than this, with the Office for National Statistics (ONS), for example, reporting a CPI of 11.1% in the 12 months to October 2022. As a result, most existing contracts have become more expensive during the course of the year, though we have been strong in our negotiations to mitigate this wherever possible.

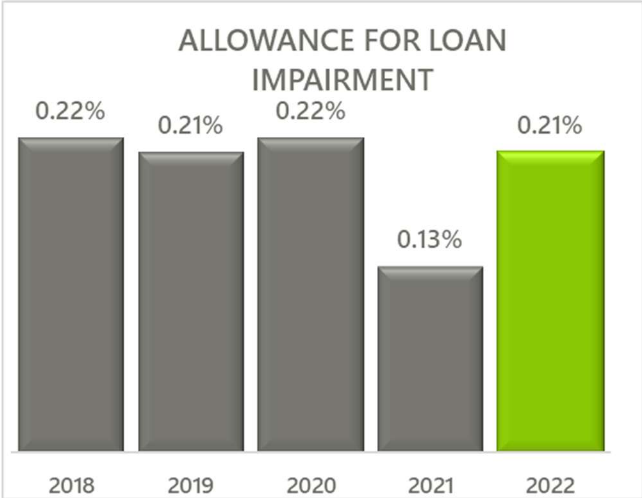
Price inflation has at least partially flowed through to salary inflation as well. ONS reported the rate of annual pay growth for both total pay and regular pay was 6.4% in September to November 2022. The Society seeks to remunerate its colleagues fairly and uses benchmarking to inform this. Its rate of pay growth has been similar to the UK average.

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

A further factor increasing the number of colleagues working with the Society, is that we wish to be prepared to embark on our digital transformation. It is important that we have the right skills and expertise to carry this out in a well-controlled fashion. In light of this, we appointed an IT Executive for the first time.

IMPAIRMENT PROVISIONS ON LOANS AND ADVANCES





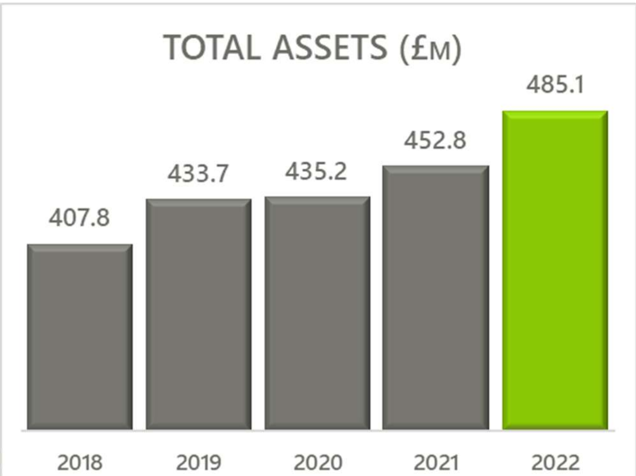
Allowance for Loan Impairment is shown as a percentage of the total mortgage book.

Also referred to as the 'Bad Debt Provision', the Society is required to account for the losses that may arise if borrowers are unable to repay, and the Society is not able to recover the funds via either forbearance or repossession. The Society conducted no repossessions in 2022, therefore the full £360k charge to the Profit & Loss is driven by increasing the provision held on the balance sheet for the eventuality of such losses that may arise in the future. This provision stood at £836k at 31 December 2022 (2021: £476k). We account for provisions under FRS102, which is a so-called 'incurred loss' model, and so require evidence of potential loss behind the provision. We make a specific provision for accounts where there are conditions at the balance sheet date that indicate potential impairment, such as arrears on the account or forbearances in place. We make a further collective provision for the remainder of the mortgage book on the basis of industry data to inform what a typical loss rate might be for our mortgages, which is also further informed by obtaining credit bureau data for each mortgage.

In light of the economic conditions, the Board included in our assessment a management judgement that house prices will decrease over the coming months, and this would impact our ability to recover any losses that arise. This is on top of a standard forced sale discount assumption, where we assume that the amount that can be recovered from the sale of a property in repossession may not be the value that an owner would obtain in the normal course of events.

Even given the fragile economic backdrop, the Board feel the provision covers us well for any events which may unfold.

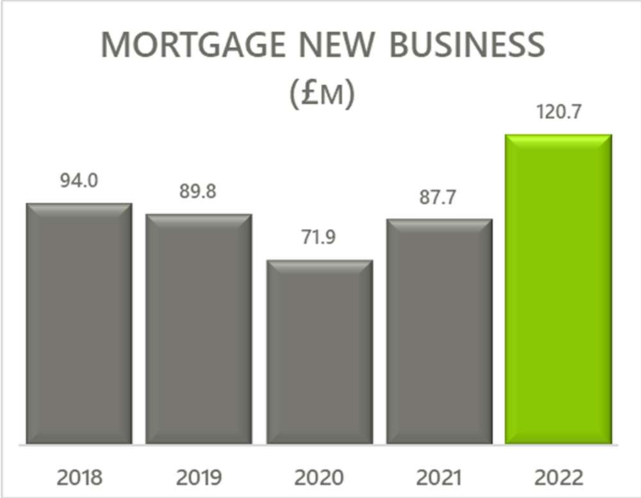
TOTAL ASSETS



Total assets increased by £32.3m to £485.1m (2021: £452.8m) during the course of 2022. This was almost entirely the result of increases in the mortgage book, which grew by £31.6m to £395.0m (2021: £363.4m). Cash and cash equivalents (see note 10), which would normally be expected to increase proportionately with the overall size of the balance sheet actually reduced by £3.8m to £74.1m (2021: £77.9m), due to more efficient management of our liquidity position.

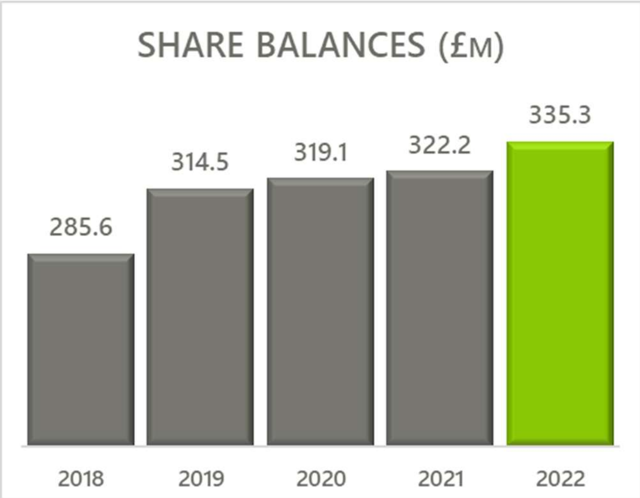
Derivative financial instruments rose by £3.1m to £3.6m (2021: £0.5m). This is entirely driven from our holding of interest rate swaps which are taken for the purpose of managing interest rate risk. These are generally taken when we issue fixed rate mortgages to avoid the Society being exposed unduly to movements in the Bank of England's Base Rate (Bank Rate), and they are measured at fair value on the balance sheet, which means they tend to increase in value when expectations of Bank Rate increase, as was the case several times during 2022.

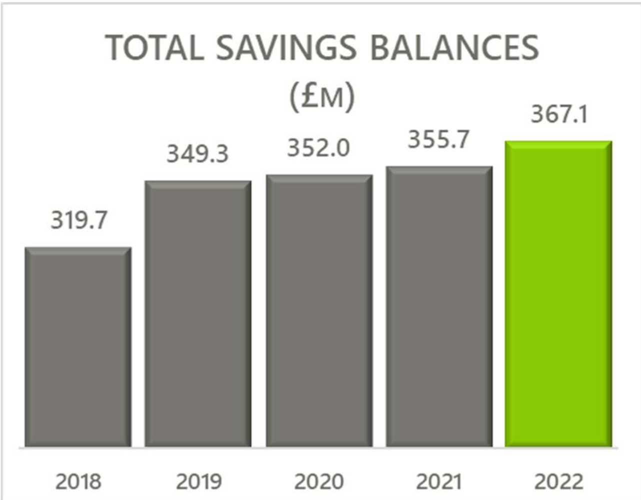
MORTGAGES



It was another successful year for the mortgage business, with strong consumer demand for our products, but also an increased capability for the Society to process mortgages. Mortgage completions rose by £33.0m to £120.7m (2021: £87.7m), which is a record year for the Society, and would not have been possible without the investments made in recent years in the mortgage process review.

FUNDING



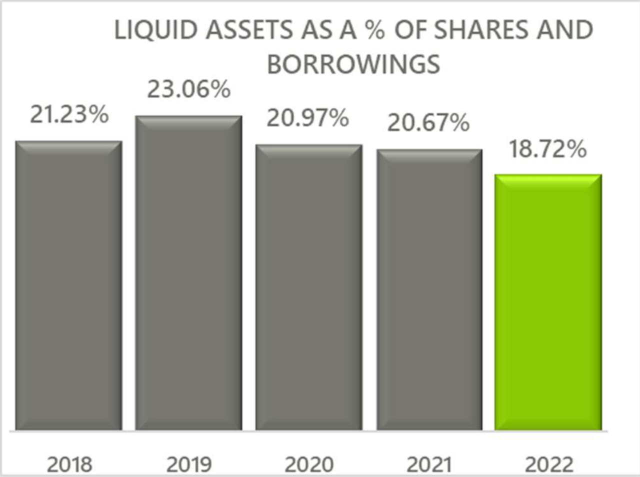


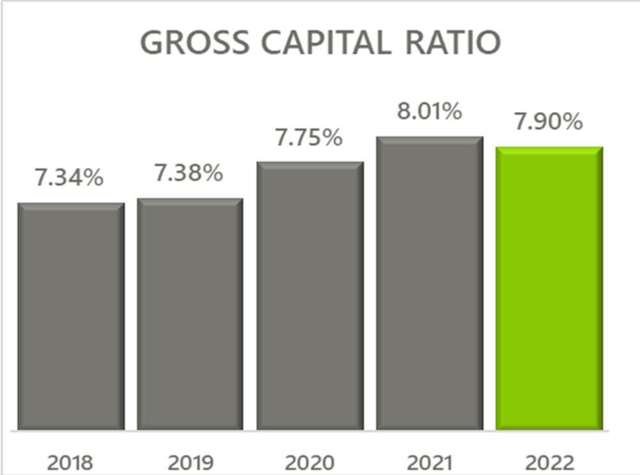
Savings make up the largest source of funding for the Society and most savings balances are held by Members of the Society. These comprise a diversified mixture of products, including notice accounts and fixed term bonds, ISAs, regular saver products and those with easy access. As at 31 December 2022, these Member balances were £335.3m (2021: £322.2m) and rose £13.1m during the year. Some savings, where the saver is not a formal Member of the Society, include business and SIPP balances and those held by community organisations. In total savings balances rose by £11.5m to £367.1m (2021: £355.7m) during the year.

The Society also accesses funding from other credit institutions, including the Bank of England. Amounts owed to credit institutions increased by £10.3m to £71.3m (2021: £61.0m). The largest element of this funding is £60m, which the Society has borrowed under the Bank of England TFSME Scheme. As at 31 December 2022, the Society also had £5m from the Bank of England's ILTR Scheme, and the remaining amounts largely comprise wholesale loans from banks or building societies, and £2.9m was also held as margin collateral on the interest rate swaps it has. This so-called variation margin collateral is moved between the swap counterparty and the Society or in the reverse direction, depending on market movements in the yield curve and is designed to protect the Society and the counterparty in the event of a counterparty failure.

The £60m of TFSME funding has maturity dates spread across 2024 and 2025, and the Society has a robust strategy for replacing this funding source.

LIQUIDITY AND CAPITAL





The Society's Liquid Assets as a percentage of Shares and Borrowings reduced over the course of 2022 from 20.67% to 18.72%. This was part of a managed strategy to reduce the Society's liquidity within the Board risk appetite. The appropriate level of liquidity is determined by the Executive and approved by the Board via its ILAAP process. This process assesses the liquidity and funding risks faced by the Society and chooses a level of liquidity that the Executive are targeted to maintain, and which provides the Society with enough liquid assets that it can withstand a severe stress and continue to cover its liabilities as they fall due. The mix of funding is an important consideration in this assessment. The Society has a well-diversified mix of funding sources, including access to the Bank of England's Sterling Monetary Framework, wholesale funding markets and a wide range of savings products and customer types.

At 31 December 2022, gross capital, which is represented by reserves, amounted to £35.4m (2021: £33.5m), being 7.90% of total shares and borrowings (2021: 8.01%). Free capital, which comprises gross capital and the collective loan impairment allowance less tangible and intangible fixed assets, amounted to £33.9m (2021: £31.6m). The leverage ratio, which represents Tier 1 Capital as a % of Total Assets including post offer pipeline mortgages was 6.58% (2021: 6.88%). 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 17.90% (2021: 19.48%). Good levels of post-tax profit have allowed the Society to maintain its strong capital position in 2022. 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.

FUTURE DEVELOPMENTS

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

Protecting these abilities requires digital transformation and this will involve significant investments over the coming years. For this reason, recent levels of profitability are not expected to be typical of those in the coming few years. As well as investment, the work required is likely to impact short term growth rates, which have a knock-on effect to short term growth in income.

In assessing the likely forward view for the Society's finances, capital strength rather than year-on-year profits, will therefore be of most importance. The Society has significant capital surplus, as assessed by its annual ICAAP process, and the Society's capital strength means it can afford a period of lower profit performance without affecting its long term viability. The Board have already reviewed long term projections of the Society's capital position in assessing its strategy of digital transformation, and it will require the Executive to regularly refresh these as it embarks on the exploration phase of this piece of work and beyond.

BOARD OF DIRECTORS

Alison Chmiel, Board Chair

Alison was appointed as a Non-Executive Director in February 2013. She is an experienced business leader, being a qualified accountant with an IT background having started her career in technical roles with IBM. Her previous roles include Deputy Managing Director of Ikano Bank UK. Alison is a long-standing supporter of community institutions having spent many years as a Director/Trustee of The Woodland Trust and currently as a Director/Trustee on a local multi-academy trust board.

Paul Wheeler, Chief Executive

Paul is the Chief Executive of the Society and assumed this role in April 2020. He has been with the Society for a number of years having joined as Finance Director in 2011. Paul has extensive senior leadership experience having operated as Deputy CEO at the Society as well as previously holding senior roles at Next plc, Alliance & Leicester plc and East Midlands Development Agency. Paul is a Chartered Accountant and a strong believer that building societies should offer easy to understand products at a fair return whilst giving both financial and practical support to their local community.

Dan Jones, Finance Director

Dan is a Chartered Accountant with significant finance experience, having previously held senior management positions at Capital One and Experian plc. He joined the Society in 2019 and is passionate about the way building societies serve their local communities and that their ethos is centred on improving people's lives.

Nick Baxter, Vice Chair and Senior Independent Director

Nick was appointed as a Non-Executive Director in January 2017, and currently chairs the board Remuneration Committee. He has more than 40 years' experience in the financial services industry. Nick's principal qualifications are in marketing and management, however, he also holds a number of mortgage related qualifications. With a passion for ensuring good consumer outcomes and increasing professional standards, Nick has worked with a number of regulators and is an advocate for building societies as being well-placed to deliver financial security and integrity to customers. Nick is also the Society's Whistleblowing Champion.

Colin Bradley, Non-Executive Director

Colin was appointed in May 2015 as a Non-Executive Director. He was Deputy Chief Executive and Finance Director with Loughborough Building Society. He is a Chartered Accountant and chairs the board Audit and Compliance Committee. Having worked in building societies for 30 years, Colin is committed to the values and service ethos of the mutual sector with its roots in the local community and with members' interests being at the heart of everything we do.

Lucy McClements, Non-Executive Director

Lucy was appointed as a Non-Executive Director in July 2020. Her other roles include non-executive directorship of an E-money firm and a Board Member of the Isle of Man Financial Service Authority. Passionate about improving financial capability across all age and socio-economic groups, much of her experience comes from almost two decades as a financial services regulator on both prudential and conduct of business issues in roles spanning Authorisation, Supervision, Operations, and Risk. More recently Lucy has consulted with clients on good governance as well as delivery of Board/Executive level development interventions.

Keith McLeod, Non-Executive Director

Keith was appointed as a Non-Executive Director in December 2021 and currently chairs the board Risk Committee. He is a Chartered Accountant and has spent over 30 years within the financial services industry, including senior roles at Schroders, UBS and Morgan Stanley. His most recent role was as the Chief Financial Officer and Acting Chief Executive Officer for the UK subsidiary of a large Middle Eastern Bank. Keith views building societies as providing a strong business model that deliver good outcomes for customers and is a firm believer in the benefits of mutuality. Keith is a Trustee of Lymphoma Action, a national Cancer Charity.

Rachel Haworth, Non-Executive Director

Rachel was appointed as a Non-Executive Director in December 2021. Rachel is a successful customer-focussed leader with significant experience in the financial services industry, most recently as Customer Experience Director at Coventry Building Society. Her experience in the sector reflects an outlook that sees commercial success as best achieved by providing customers with the best possible outcomes, and a dedication to engaging with customers as owner-members. Rachel's experience spans Marketing, Digital transformation, Risk Management and Cultural leadership.

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 2022 the Board met eight times to closely monitor the Society's business performance. In addition, an ad hoc meeting was held in March (workshop to discuss ICAAP assumptions) and a Board Strategy Day was held in June.

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. The Board consisted of eight Non-Executive Directors at the beginning of 2022 due to the temporary increase whilst we transitioned two new members onto the Board and retired two existing Directors. However, as at 31 December 2022, the Board again consisted of six Non-Executive Directors. Although the Board Chair has now been a member of the Board for over nine years, this is considered acceptable by the Board in order to maintain relevant skills and experience on the Board and aid succession planning. The Board views all the Non-Executive Directors as being independent in character and judgement.

The Board continued to support the Society's purpose of '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.

As part of the appointment of our two most recent Non-Executive Directors in 2021, a research agency (Hitchenor Wakeford Limited) was engaged. This agency had no other connection with the Society or its Directors.

The Committee met three times in 2022 and Committee members during the year were Alison Chmiel (Board Chair), Nick Baxter and Lucy McClements. 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 (last meeting 27.01.22), Alison Chmiel and Rachel Haworth.

Meetings of the Committee were also attended, as appropriate, by the 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 37 to 39.

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 2022 were Colin Bradley (Chair), Lucy McClements, Keith McLeod and Jeremy Cross (last meeting 21.02.22). 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 33 and 34.

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 2022 were Jeremy Cross (Chair until his last meeting on 27.01.22), Keith McLeod (Chair from 28.04.22), Rob Clifford (last meeting 27.01.22), Colin Bradley, Nick Baxter, Lucy McClements, Rachel Haworth, Daniel Jones and Paul Wheeler. Alison Chmiel attended as Board Chair and Dave Newby attended as Risk Executive.

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	8	3	3	4	4
NON-EXECUTIVE DIRECTORS					
Jeremy Cross	1^	*	1^	1^	1^
Alison Chmiel	8	3	3	4	4*
Colin Bradley	8	*	*	4	4
Rob Clifford	*	*	*	1^	*
Nick Baxter	8	3	3	4	*
Lucy McClements	8	3	*	4	4
Rachel Haworth	7	*	3	4	*
Keith McLeod	7	*	*	4^	3^
EXECUTIVE DIRECTORS					
Paul Wheeler	8	3*	3*	4	4*
Daniel Jones	8	*	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 27.01.22 Jeremy Cross left the Remuneration Committee.
- On 27.01.22 Jeremy Cross and Rob Clifford left the Risk Committee.
- On 21.02.22 Jeremy Cross left the Audit and Compliance Committee.
- On 25.02.22 Jeremy Cross attended his last Board prior to his resignation.
- On 28.04.22 Keith McLeod was appointed as Chair of the Risk Committee.

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. In 2022, the Society was able to revert back to holding a physical AGM following the slightly different arrangements in the previous two years due to Covid-19. 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 (2023) the Society will donate 50 pence per vote cast to the Alzheimer's Society. 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. Board members will be available to meet with Members and community representatives both before and after the meeting and answer questions on both a formal and informal basis. In addition, the Society is again requesting questions by email, with the answers to the most common questions being published on the Society's website.

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, diversity and inclusion, whistleblowing, and remuneration. In 2022, the Remuneration Committee received management information which provided 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 whistleblow 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 Board and formally meets with them annually.

The Society introduced an Inclusion Forum in 2022, which is chaired by a member of staff and consists of a number of employees from across the business. The Inclusion Forum will meet quarterly and raise any concerns with the Head of HR and the Executive Committee. A member of the Board, Rachel Haworth, has been appointed as the Inclusion Champion and will meet with the Forum periodically.

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 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 nearly ten 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 now served on the Board for nearly 10 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 28.

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. Where appropriate, specialist external search consultants will be engaged (as was the case in the recruitment of two new Non-Executive Directors in 2021). 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 33% of the Board being from the under-represented gender. The under-represented gender constituted 37.5% of all Board members (and 50% for Non-Executive Directors) at the end of 2022. All new Directors appointed are subject to election by the Members at the next Annual General Meeting of the Society following their appointment.

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, the Society requires all Directors to be submitted 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.

Although the Board Chair has now exceeded her nine year tenure, this is considered acceptable by the Board in order to maintain relevant skills and experience on the Board and aid succession planning.

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 2022 the Society entered the Best Companies accreditation process for a second year, which 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 and includes 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 Directors. 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 33 and 34 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 41.

The Audit and Compliance Committee Report on pages 33 and 34 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 and mitigating key and emerging risks. The Board Risk Policy outlines the overall Risk Management Framework for the Society and the key risks faced by the Society are documented in the Society's Risk Register. 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 RSM with effect from January 2022. 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 37 to 39 explains how the Society pays regard to the Code Principles relating to remuneration.

Alison Chmiel
Board Chair
2 March 2023

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 the impact on HPI, arrears and forbearance in a year of several rises in interest rates, and has satisfied itself with the increased 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 using the SONIA benchmark rate. 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.

PENSIONS - The Society operates a defined benefit pension scheme, which is currently closed to new members. The 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 2022 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 potential impacts of the current cost-of-living crisis were adequately considered and disclosed in the financial statements.

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 oversaw the following activities during 2022 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 (RSM LLP) were appointed on 1st January 2022 to 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 2022 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 2022, Internal Audit had an appropriate level of resource to deliver its plan of work and that it discharged its responsibilities effectively.

EXTERNAL AUDIT - The re-appointment of BDO LLP as external auditors was put up for approval by the Members at the 2022 AGM and was approved. However, in the following months, and to ensure appropriate use of Members' funds, the Committee issued a tender for the external audit. Subsequent to this process completing, BDO LLP resigned as the Society's auditors effective 26 May 2022, and Mazars LLP were appointed in their place. In tendering their resignation, and in accordance with Schedule 11, paragraph 7 (2)(a) of the Building Societies Act 1986, BDO LLP confirmed that there were no circumstances connected with their ceasing to hold office that they considered should be brought to the attention of the Society's Members or creditors.

The Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the external auditor, 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, Mazars 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 only non-audit services supplied by our external auditors during 2022 were in regard to the CASS audit, which is a requirement of the financial regulator. The external auditor's work includes a review of IT controls relating to the financial reporting.

Mazars will be proposed for re-appointment to the Members at the AGM in April 2023.

Colin Bradley
Chair of the Audit and Compliance Committee
2 March 2023

PRINCIPAL RISKS AND UNCERTAINTIES

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 73 to 80.

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 Board are happy that a robust assessment of the Society's emerging and principal risks has been undertaken and these are summarised below.

CONDUCT	Conduct Risk is the risk of the Society providing poor outcomes to customers. The Society is committed to delivering fair outcomes to all customers 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 2022 can be found in note 30 on page 80.
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.
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 undertaken considerable work in 2022 to demonstrate its operational resilience and to ensure that it can maintain delivery of important business services through plausible stress scenarios. As part of this process the Society has also reviewed its third-party relationships to ensure that they continue to deliver an appropriate level of service to our Members. The Society continues to invest 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 regularly reviews its existing mortgage portfolio with regard to climate risk, and this assessment is 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 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.
CURRENT ECONOMIC UNCERTAINTY	Current Economic Uncertainty. The recovery from the Covid-19 pandemic, combined with the war in Ukraine and the resultant cost-of-living crisis, has had a significant economic impact across multiple risk categories. The main considerations are as follows: ▪ Strategic: Covid-19 has impacted how some consumers choose to interact with their financial service providers and has accelerated the shift for some consumers from branches to more online requirements. The Society has improved its ability to service customers digitally in 2022 and will continue to evolve its digital capability. ▪ Credit: The Society took significant steps to help its Members continue to meet their mortgage payments during the pandemic. Since the pandemic has eased, the war in Ukraine, coupled with rising energy prices and interest rates increases 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 and has support in place to help customers that find it difficult to make repayments. ▪ Market Risk: Bank of England Base Rate has risen to its highest level since the financial crisis of 2007/8. 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: Working practices have continued to evolve as the Society adjusts to a hybrid-working model, following the enforced home-working of the pandemic. The internal control environment has therefore been subject to further enhancements to ensure that it remains relevant. Cyber risk continues to be a concern, exacerbated by the war in Ukraine, and controls remain under constant review.

The Society's Board Risk Policy 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.

REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 was:

Nick Baxter – Committee Chair
Alison Chmiel
Rachel Haworth
Jeremy Cross (resigned 27.04.22)

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

Meetings of the Committee were also attended by Paul Wheeler, Daniel Jones, Jill Watson and Vickie Preston, as appropriate, who withdrew 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 2022, the two Executive Directors have earned 20% of basic salary as reward under this scheme.

PENSIONS – the Executive Directors are entitled to a Group Personal Pension Plan which is available for all 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. In 2022, the Society introduced an improved pension contribution for employees which paid up to 7% from the Society. This reduced the gap between contributions made for Executives and other colleagues. The Society is committed to further reducing this gap over time and from March 2023 it will pay up to 8%.

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 2022.

SERVICE CONTRACTS – The Chief Executive has a service contract with the Society dated 30 April 2020. The Chief Executive's notice period to the Society is six months. The Society's notice period to the Chief Executive is 12 months. In the event of amalgamation, transfer of engagements or transfer of business where the Executive Director's employment is to be terminated, the Society shall give not less than 12 months' notice.

The Finance Director has a service contract dated 5 November 2019. The Finance Director's notice period to the Society is six months. The Society's notice period to the Finance Director is 12 months. In the event of amalgamation, transfer of engagements or transfer of business where the Executive Director's employment is to be terminated, the Society shall give not less than 12 months' notice.

POLICY FOR NON-EXECUTIVE DIRECTORS

The remuneration of Non-Executive Directors is reviewed annually by the Remuneration Committee, using data from other comparable building societies, and by a performance review process undertaken by the Society's Board Chair. The remuneration of the Board Chair is reviewed by the Remuneration Committee and ratified by the Board and is informed by a performance review conducted by the Senior Independent Director.

Non-Executive Directors are remunerated solely by fees which reflect time spent on Society affairs including membership of Board committees. They do not have service contracts and do not receive a salary, pension, bonus incentives or other taxable benefits, although travel expenses are reimbursed. Non-Executive Directors serve under letters of appointment following election by the Society's Membership.

DIRECTORS' REMUNERATION

Details of Directors' emoluments for the financial year ended 31 December 2022 are shown below:

	2022 £000	2021 £000
Non-Executive Directors' fees	179	167
Executive Directors' remuneration	420	390
TOTAL	**599**	557

NON-EXECUTIVE DIRECTORS' FEES	2022 £000	2021 £000
Alison Chmiel	37	31
Jeremy Cross (resigned 27.04.22)	9	31
Rob Clifford (resigned 27.01.22)	2	25
Colin Bradley	27	26
Nick Baxter	27	26
Lucy McClements	25	24
Keith McLeod	27	2
Rachel Haworth	25	2
TOTAL	**179**	167

2022

EXECUTIVE DIRECTORS	SALARY £000	ANNUAL BONUS £000	DEFERRED BONUS £000	BENEFIT £000	PENSION £000	TOTAL £000
Paul Wheeler (CEO)[1]	154	17	17	20	36	**244**
Daniel Jones (Finance Director)[2]	117	13	12	14	20	**176**
TOTAL	**271**	**30**	**29**	**34**	**56**	**420**

2021

EXECUTIVE DIRECTORS	SALARY £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

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
2 March 2023

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 2022.

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 2 to 23)
BUSINESS REVIEW AND FUTURE DEVELOPMENTS	Strategic report (pages 2 to 23)
PRINCIPAL RISKS AND UNCERTAINTIES	Strategic report (pages 2 to 23)
DISCLOSURE REQUIREMENTS UNDER CRD IV COUNTRY-BY-COUNTRY REPORTING	Note 33 to the Accounts (page 84)
DISCLOSURE OF FREE CAPITAL AND GROSS CAPITAL AS A PERCENTAGE OF SHARE AND DEPOSIT LIABILITIES	Annual Business Statement (page 85)
MORTGAGE ARREARS	Strategic report (pages 2 to 23)

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	
Jeremy Cross, FCA	(Resigned 27.04.22)
Rob Clifford, CertPFS	(Resigned 27.01.22)
Rachel Haworth, FCIM	
Lucy McClements, FCCA	
Keith McLeod, ACA	

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 2022 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 2022 represented three days (2021: one day).

AUDITOR

The Board is recommending that Mazars LLP be reappointed as auditor for the year ended 31 December 2023 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 cost-of-living.

POLITICAL DONATIONS AND GIFTS

The Society has not made any political gifts or donations in the year to 31 December 2022 (2021: £nil).

GOING CONCERN

The Directors have considered the risks and uncertainties outlined on pages 35 and 36 and the extent to which they might affect the preparation of the annual report and accounts on a going concern basis.

The Society updates a 3 year corporate plan annually, and uses the forecasts within this to carry out the annual ILAAP (Internal Liquidity Adequacy Assessment Process) and ICAAP (Internal Capital Adequacy Assessment Process). These involve running the Society's liquidity and capital positions against a range of severe but plausible stresses, which include both idiosyncratic and market wide scenarios. Each of these processes includes a forward-looking assessment and demonstrates that we have sufficient capital and liquidity and are a going concern. So-called reverse stress tests are also carried out, which involve making plausible scenarios ever more extreme until the break point is identified; the results of these show the Board that failure of the organisation is sufficiently remote.

As part of the year end process the Society's future plans have been discussed by the Board and outlined on page 23. The Society's forecasts and plans, taking account of current and possible future operating conditions, have been appraised and indicate that the Society has sufficient operating liquidity and capital for the foreseeable future. These forecasts comprise a one year budget carried out annually, a one year forecast which updates this budget for latest conditions at least once a year, a three year corporate plan, carried out once a year, and a high level seven year projection.

A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of high inflation and rising interest rates, focused on the Society's capital and liquidity position and operational resilience.

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
2 March 2023

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
2 March 2023

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

OPINION

We have audited the annual accounts of Mansfield Building Society (the 'Society') for the year ended 31 December 2022 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Members' Interests, Cash Flow Statement and notes to the annual accounts, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the annual accounts:

- give a true and fair view of the state of the Society's affairs as at 31 December 2022 and of the Society's income and expenditure 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.

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 annual accounts" section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the annual accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the annual accounts is appropriate.

Our audit procedures to evaluate the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the Society's latest ICAAP and ILAAP and its reverse stress testing;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', inflation, levels and interest rates;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the annual accounts on going concern.

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 annual accounts 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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 annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW OUR SCOPE ADDRESSED THIS MATTER</th></tr>
<tr><td>
Credit risk - Impairment of loans and advances to customers

£836,000 (2021: £476,000)

Refer to note 1 (principal accounting policies and critical accounting estimates and judgements) and note 13 of the annual accounts.

Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation in arriving at the year-end provisions. The total impairment provision of the Society is predominantly made up of specific provisions on loans with default indicators and a collective provision on the performing portfolio.

The Society has limited actual loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being required in deriving assumptions to be applied in the assessment.

The collective and individual impairment provision is derived from a model that uses a combination of the Society's historical experience and management judgement.

In particular, the impairment assessment is most sensitive to movements in the probability of default (PD), forced sale discounts (FSD) against collateral, and the movement in future house prices.

The impairment assessment may be sensitive to other factors applied to take account of the impact of inflation on borrowers' financial resilience and the strength of the UK property market.
</td><td>
Our audit procedures included, but were not limited to:

▪ Considering the appropriateness of the methodology used by management;
▪ Assessing the design and implementation, and testing the operating effectiveness of the key controls in relation to credit processes (loan origination and approval, loan redemptions arrears monitoring);
▪ Critically assessing how management has determined the provision estimate, including the reasonableness of external data used in the provision model and checked relevance of this data based on our understanding of the Society's portfolio;
▪ Testing the accuracy of the provision model data inputs from external and internal sources;
▪ Comparing the Society's key assumptions to similar lenders and considered consistency with industry practice;
▪ Developing an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the Society's portfolio;
▪ Assessing the reasonableness of the key assumptions such as PDs, FSD, and movements in future house prices.
▪ Performing credit file reviews on a sample of exposures and assessing the reasonableness of the specific provision; and
▪ Assessing the completeness and adequacy of the Society's disclosures in relation to the degree of estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers.

Our Observations

Based on the procedures performed, we found the resulting estimate of the loan impairment provision to be reasonable and in compliance with FRS102.
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Revenue recognition – effective interest rate

£555,000 (2021: £697,000)

Refer to note 1 (principal accounting policies and critical accounting estimates and judgements) and note 2 of the annual accounts.

Interest income substantially arises from contractual interest. This is adjusted to an effective interest rate ('EIR') basis resulting in other fees and income being spread over the expected life of a loan.

EIR is an inherently subjective area due to the level of judgement required in determining which cash flows require spreading and over what time-period.

The most significant area where we identify greater levels of judgement and estimation is the expected life and spreading of relevant fees using straight line basis, which is applied as an approximation of EIR.

In addition, an early redemption charge (ERC) is generally due by borrowers repaying more than contractually allowed within the fixed
</td><td>
Our audit procedures included, but were not limited to:

▪ Assessing the design and implementation, and testing the operating effectiveness of the key controls in relation to product switches and redemptions;
▪ Assessing the design of the process that management has adopted in respect of approval of the assumptions used in the model;
▪ Challenging the reasonableness of the Society's expected life assumptions against actual customer behaviour;
▪ Reperforming the EIR calculation and compared with management's results;
▪ Challenging the EIR model and key assumptions using reasonable alternative assumptions to expected lives;
▪ Testing the accuracy of model data inputs and method by which ERCs are modelled in the EIR calculation;
▪ Testing the completeness, appropriateness and accuracy of the fees and costs included in the EIR calculation;
▪ Challenging the basis of management's judgments in respect of the cash flows included in the calculation; and
</td></tr>
</table>

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
interest period. The estimate of ERCs, which is included in the EIR, is highly judgemental.	▪ Testing the completeness and accuracy of data and key model inputs used into the EIR and ERC models by agreeing to source documents or the mortgage management system. **Our Observations** Based on the procedures performed, we found the resulting estimate of the EIR method of recognising income to be reasonable.

OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual annual account line items and disclosures and in evaluating the effect of misstatements, both individually and on the annual accounts as a whole. Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

OVERALL MATERIALITY	£354,000
HOW WE DETERMINED IT	1% net assets
RATIONALE FOR BENCHMARK APPLIED	We consider that net assets is the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers. Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net assets is an approximation of regulatory capital resources.
PERFORMANCE MATERIALITY	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We considered several factors in determining performance materiality including, the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment. As this is our first year of auditing the Society, this was also a factor in our consideration. We set performance materiality at £177,000, which represents 50% of overall materiality.
REPORTING THRESHOLD	We agreed with the directors that we would report to them misstatements identified during our audit above £11,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the annual accounts, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the annual accounts as a whole. We used the outputs of a risk assessment, our understanding of the Society, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all annual accounts line items.

OTHER INFORMATION

The other information comprises the information included in the 2022 Report and Accounts, other than the annual accounts and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the annual accounts 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.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in 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 there is a material misstatement in the annual accounts or a material misstatement of the other information. 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.

OPINIONS ON THE ANNUAL BUSINESS STATEMENT AND THE 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 Building Societies Act 1986;
- the information in the Directors' Report for the financial year is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information on which we are not required to report) gives a true representation of the matters in respect of which it is given.

In 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 by the Society; or
- the Society's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of directors' responsibilities set out on page 42, the directors are responsible for the preparation of the annual accounts 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 annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, 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 ANNUAL ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 annual accounts.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Society and its industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory and supervisory requirements of the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA'), and we considered the extent to which non-compliance with these laws and regulations might have a material effect on the annual accounts.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance with laws and regulations, our procedures included but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Society and the industry in which it operates, and considering the risk of acts by the Society which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including PRA and FCA;
- Reviewing minutes of directors' meetings in the year;
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the directors and review of minutes of the Board of Directors and Audit and Compliance Committee during the period.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Building Societies Act 1986 and UK tax legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

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.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the directors on 26 May 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society and we remain independent of the Society in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit Committee.

USE OF THE AUDIT 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.

Martin Orme
(Senior Statutory Auditor)
for and on behalf of Mazars LLP, Statutory Auditor

30 Old Bailey
London
EC4M 7AU

2 March 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 £000	2021 £000
Interest receivable and similar income	2	15,675	11,914
Interest payable and similar charges	3	(5,123)	(2,712)
Net interest income		**10,552**	9,202
Fees and commissions receivable	4a	128	127
Fees and commissions payable	4b	(324)	(183)
Other operating income/(charges)		22	(7)
Net gains from derivative financial instruments at fair value through profit or loss	5	228	137
Total net income		**10,606**	9,276
Administrative expenses	6	(7,407)	(6,217)
Depreciation and amortisation	14 & 15	(301)	(360)
Operating profit before impairment and other provisions		**2,898**	2,699
Impairment provisions on loans and advances	13	(360)	300
Provisions for liabilities	23	(192)	(120)
Profit before tax		**2,346**	2,879
Tax expense	9	(444)	(565)
Profit for the financial year		**1,902**	2,314

OTHER COMPREHENSIVE INCOME

	2022 £000	2021 £000
Total comprehensive income for the year	**1,902**	2,314

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 52 to 84 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	NOTE	2022 £000	2021 £000
ASSETS			
Cash in hand and balances with the Bank of England	10a	64,931	69,649
Loans and advances to credit institutions	10b	17,829	16,695
Other liquid assets	10c	1,010	-
Derivative financial instrument assets	11	3,622	484
Loans and advances to customers	12	395,006	363,353
Tangible fixed assets	14	1,829	1,894
Intangible assets	15	271	284
Prepayments and accrued income	16	601	457
Total assets		**485,099**	452,816
LIABILITIES			
Shares	17	335,334	322,203
Amounts owed to credit institutions	18	71,333	61,019
Amounts owed to other customers	19	40,827	34,462
Derivative financial instrument liabilities	11	380	91
Accruals	20	902	480
Other liabilities	21	576	601
Tax liabilities	21	118	310
Deferred tax	22	73	68
Provisions for liabilities	23	192	120
Total liabilities		**449,735**	419,354
RESERVES			
General reserves	26	35,364	33,462
Total reserves attributable to Members of the Society		**35,364**	33,462
Total reserves and liabilities		**485,099**	452,816

The notes on pages 52 to 84 form part of these accounts.

These accounts were approved by the Board of Directors on 2 March 2023 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

	2022		2021	
	General Reserve £000	Total £000	General Reserve £000	Total £000
Balance at 1 January	33,462	33,462	31,148	31,148
Total comprehensive income for the period				
Profit	1,902	1,902	2,314	2,314
Other comprehensive income			-	-
Total comprehensive income for the period	1,902	1,902	2,314	2,314
Balance at 31 December	**35,364**	**35,364**	33,462	33,462

The notes on pages 52 to 84 form part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2022 £000	2021 £000
Profit before tax		2,346	2,879
Adjustment for			
Depreciation and amortisation	14 & 15	301	360
Provision for Liabilities	23	192	120
Loss on disposal of fixed assets	14	2	7
(Increase) in fair value of derivative financial instruments & hedged items	5	(228)	(137)
Increase / (Decrease) in impairment provisions on loans and advances	13	360	(300)
TOTAL		**2,973**	2,929
CHANGES IN OPERATING ASSETS AND LIABILITIES			
(Increase) / Decrease in prepayments, accrued income and other assets		(320)	9
Increase in accruals, deferred income and other liabilities		1,197	54
(Increase) in loans and advances to customers		(34,633)	(15,934)
Increase in shares		12,721	3,144
Increase in amounts owed to other credit institutions and other customers		16,169	12,615
(Increase) / Decrease in loans and advances to credit institutions		(80)	13,520
(Increase) in other liquid assets		(1,000)	-
Taxation paid		(630)	(448)
Net cash (used in) / generated by operating activities		**(3,603)**	15,889
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets	14	(108)	(238)
Disposal of tangible fixed assets		-	-
Purchase of intangible fixed assets	15	(116)	(74)
Net cash used in investing activities		(224)	(312)
Net cash increase / (decrease) in cash and cash equivalents		**(3,827)**	15,577
Cash and cash equivalents at 1 January		77,904	62,327
Cash and cash equivalents at 31 December	10(a)	**74,077**	77,904

Contained within cash flow movement is £15,766,582 (2021: £11,691,877) of interest received and £5,122,771 (2021: £2,711,597) of interest paid.

The notes on pages 52 to 84 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 40 and 41.

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 gains 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.

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.

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%.

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 Loans and Receivables. Management determines the classification of financial assets at initial recognition. No assets have been classified as Available for Sale or Held to Maturity. The Society's financial assets include cash in hand and balances held with the Bank of England, loans and advances to credit institutions, other liquid assets, loans and advances to customers and derivative financial instrument assets.

LOANS AND RECEIVABLES

The Society's loans and advances to customers and its loans and advances to credit institutions and other liquid assets are classified as loans and receivables. 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 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 and Society experience of default, the effect of movement in house prices and any adjustment for the expected forced sale value.

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.

NOTES TO THE ACCOUNTS (CONTINUED)

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.

Costs which are identifiable as development costs for assets in the course of construction are capitalised only when the commercial feasibility of the asset has been established. For the Society this will take the form of identifying the future economic benefits of deploying the asset into active use and the determination of a useful economic life.. The Society does not recognise any research costs incurred in the development of the asset as a part of that asset. Instead, these costs are expensed to profit and loss as they are incurred.

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 are measured at fair value at each balance sheet date and the liabilities are measured using the projected unit credit method. 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 surplus is not deemed to be available to the Society as the Trustees have the ultimate right to apply the scheme's assets to settle the scheme's liabilities in respect of pension and other benefits. 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 81 to 83.

TAXATION

The charge for taxation recognised in the Statement of Comprehensive Income is based upon the profit for the year and calculated at the tax rate which is applicable to the accounting period. It also includes 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 date of the Statement of Financial Position, 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 date of the Statement of Financial Position.

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.

OPERATING LEASES

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

LIQUID ASSETS

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.

FINANCIAL LIABILITIES

The Society classifies all its financial liabilities, other than derivatives, as measured at amortised cost.

NOTES TO THE ACCOUNTS (CONTINUED)

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. To the extent that this value were to be higher than our estimates by 5%, the impairment allowance on loans and advances would be lower by £0.21m (2021: £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 increases from our estimates by 5%, the impairment allowance on loans and advances would be higher by £0.04m (2021: £0.02m).

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 mortgages can be seen in note 12 on pages 61 and 62.

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 £0.18m (2021: £0.11m), 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 £0.32m (2021: £0.32m) 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 mortgages 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 81 to 83.

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £000	2021 £000
On loans fully secured on residential property	13,524	11,931
On loans fully secured on land	681	345
Interest and other income on debt securities (all fixed income)	7	-
Interest and other income on other liquid assets	1,093	127
Net expense on derivatives	370	(489)
	15,675	11,914

Included within interest income is £251,868 (2021: £163,889) in respect of interest income accrued on impaired loans, two or more months in arrears. Debt security interest received £7,299 (2021: £nil) relates to £10.0m (2021: £nil) of UK Government Treasury Bills purchased and sold during the year.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £000	2021 £000
On shares held by individuals	3,808	2,493
On deposits and other borrowings	1,315	219
	5,123	2,712

4 FEES AND COMMISSIONS

A FEES AND COMMISSIONS RECEIVABLE

	2022 £000	2021 £000
Insurance commission	12	15
Other commissions	11	10
Fees receivable	105	102
	128	127

B FEES AND COMMISSIONS PAYABLE

	2022 £000	2021 £000
Bank charges	54	49
Other mortgage administration fees payable	270	134
	324	183

5 NET GAINS FROM DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 £000	2021 £000
Movement in derivatives in designated fair value hedge relationships	2,828	1,226
Movement in hedged items in fair value hedge accounting relationships	(2,621)	(1,089)
Net Matched Position	208	137
Gains on derivatives not in designated fair value relationships	21	-
	228	137

The net fair value gain from matched derivative financial instruments of £208k (2021: £137k) represents the net fair value movement on derivative instruments that match risk exposures on an economic basis. Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges. The gain of £21k (2021: £nil) on derivatives not in a designated fair value relationship represents the change in fair value of unmatched derivatives arising from timing differences between the execution of the derivatives and the completion of the associated underlying hedged items.

The above numbers are based on an average effectiveness of 102.83% (2021: 113.59%) for SONIA based derivatives.

6 ADMINISTRATIVE EXPENSES

	2022 £000	2021 £000
Wages and salaries	3,662	3,055
Social security costs	412	311
Contributions to defined contribution pension scheme	420	318
Operating Leases	37	37
Other administrative expenses	2,876	2,496
Total administrative expenses	**7,407**	6,217

Included in other administrative expenses are the following:

Auditor's remuneration (stated exclusive of VAT)

	2022 £000	2021 £000
Payments to the Auditor for:		
Audit of these financial statements	159	149
Amounts receivable by the Society's Auditors and its associates in respect of:		
Other audit services	5	5

NOTES TO THE ACCOUNTS (CONTINUED)

7 COLLEAGUE NUMBERS

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

	2022	2021
FULL TIME		
Principal Office	73	66
Branch offices	9	9
	82	75
PART TIME		
Principal Office	15	15
Branch offices	12	12
	27	27

8 DIRECTORS' REMUNERATION

REMUNERATION OF DIRECTORS

	2022 £000	2021 £000
For services as Non-Executive Directors	179	167
For services as Executives	420	390
	599	557

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 37 to 39.

A DIRECTORS' LOANS AND TRANSACTIONS

At 31 December 2022, there were no outstanding mortgage loans granted in the ordinary course of business to any Directors or their connected persons (2021: £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 2022, 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 2022, there were no amounts outstanding to any connected businesses (2021: £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 2022 a total of £62,675 (2021: £68,268) was held in Society savings by the Directors and their connected parties.

The Society offers employment to a number of students throughout the year to undertake office administration tasks. One of these students was the daughter of a Director who worked for the Society during April & May. The total payment was £900.

NOTES TO THE ACCOUNTS (CONTINUED)

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

ANALYSIS OF CHARGE IN YEAR	2022 £000	2021 £000
CURRENT TAX		
Corporation tax at 19:00% (2021: 19.00%)	448	570
Adjustments relating to prior year	(10)	10
Total current tax	**438**	580
DEFERRED TAX		
Origination and reversal of timing differences	(3)	(3)
Adjustment to prior year estimates	10	(28)
Effects of changes in tax rate	(1)	16
Total tax	**444**	565

FACTORS AFFECTING THE TAX CHARGE FOR THE CURRENT PERIOD	2022 £000	2021 £000
Profit on ordinary activities before tax	2,346	2,879
Current tax at 19.00% (2021: 19.00%)	446	547
Effects of:		
Expenses not deductible for tax purposes	12	24
Effects of Super deduction element of Capital Allowances	(13)	(5)
Impact of different tax rates	(1)	16
Adjustments relating to prior year	-	(17)
Total tax	**444**	565

	2022			2021		
	Current tax £000	Deferred tax £000	Total tax £000	Current tax £000	Deferred tax £000	Total tax £000
Recognised in statement of comprehensive income	438	6	444	580	(15)	565
Total tax	**438**	**6**	**444**	580	(15)	565

10 LIQUID ASSETS

A CASH AND CASH EQUIVALENTS

	2022 £000	2021 £000
Cash in hand and balance with the Bank of England	64,931	69,649
Loans and advances to credit institutions	9,146	8,255
Cash and cash equivalents per Cash Flow Statement	**74,077**	77,904

B LOANS AND ADVANCES TO CREDIT INSTITUTIONS

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

	2022 £000	2021 £000
Repayable on demand	9,249	8,263
In not more than three months	2,524	1,420
In more than three months but not more than one year	6,056	7,012
Total	17,829	16,695
Of which, included within cash and cash equivalents	**9,146**	8,255

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.

C OTHER LIQUID ASSETS

Other liquid assets have remaining maturities as follows:

	2022 £000	2021 £000
Repayable on demand	-	-
In not more than three months	1,010	-
In more than three months but not more than one year	-	-
Total	1,010	-

Other liquid assets comprise short term liquidity advances made to local authorities and undertaken as part of the Society's treasury management activities.

NOTES TO THE ACCOUNTS (CONTINUED)

11 DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	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	3,601	380	484	91
Unmatched Derivatives - interest rate swaps	21	-	-	-
At 31 December	**3,622**	**380**	484	91

The movements in the market value of interest rate swaps haves been driven by changes in the market's forward view of interest rates.

Unmatched derivatives relate to swaps which have not matched against mortgages for hedge accounting purposes at the balance sheet date and reflect short term timing differences between the transacting of the interest rate swap and the completion of the associated mortgages.

12 LOANS AND ADVANCES TO CUSTOMERS

	2022 £000	2021 £000
Loans fully secured on residential property	388,557	359,012
Loans fully secured on land	9,427	4,699
Fair value of hedged risk	(2,978)	(358)
At 31 December	**395,006**	363,353

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

MATURITY ANALYSIS	NOTE	2022 £000	2021 £000
On call and at short notice		266	223
Repayable with remaining maturity:			
In not more than three months		5,646	2,279
In more than three months but not more than one year		11,341	12,146
In more than one year but not more than five years		51,516	52,358
In more than five years		327,073	296,823
		395,842	363,829
Less allowance for impairment for bad and doubtful debts	13	(836)	(476)
		395,006	363,353

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

At 31 December 2022 the Society had pledged £105.1m (2021: £97.5m) of mortgage assets to the Bank of England as collateral under the Bank of England Sterling Monetary Framework.

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

GEOGRAPHICAL ANALYSIS	2022 %	2021 %
North East	3.1	2.7
North West	12.6	11.7
Yorkshire and Humberside	9.8	10.4
East Midlands	14.5	15.5
West Midlands	8.8	9.2
East Anglia	5.5	5.4
South West	11.5	11.0
London	8.5	9.0
South East	16.3	17.9
Wales	4.9	4.4
Scotland	4.5	2.8
	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	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
AT 1 JANUARY						
Individual impairment	194	383	-	50	194	433
Collective impairment	276	344	6	-	282	344
	470	727	**6**	50	**476**	777
AMOUNT WRITTEN OFF						
Individual impairment	-	(1)	-	-	-	(1)
Collective impairment	-	-	-	-	-	-
	-	(1)	-	-	-	(1)
CHARGE / (CREDIT) FOR THE YEAR						
Individual impairment	(7)	(188)	48	(50)	41	(238)
Collective impairment	293	(68)	26	6	319	(62)
	286	(256)	**74**	(44)	**360**	(300)
AT 31 DECEMBER						
Individual impairment	187	194	48	-	235	194
Collective impairment	569	276	32	6	601	282
	756	470	**80**	6	**836**	476

The Society has included a judgemental overlay into its calculation of the allowance for impairment, in light of current economic conditions, as these may drive lower house prices in the time to collect period. These overlays amount to £240k and account for a large proportion of the increase to the allowance.

The individual impairment to loans fully secured on land mostly relates to a single syndicated loan secured on sites which are let to car dealerships. The borrower is fully up to date with their payments, but the leases expire on the sites in 2023 at the same time as the loan becomes repayable, and the sites are vacant or in the process of being vacated. There are no further loans of this nature in the Society portfolio.

NOTES TO THE ACCOUNTS (CONTINUED)

14 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Equipment, fixtures and fittings £000	Assets in the course of construction £000	Total £000
COST				
At 1 January 2022	1,128	1,555	-	2,683
Additions/Transfers	-	106	2	108
Disposals/Transfers	-	(52)	-	(52)
Impairment	-	-	-	-
At 31 December 2022	**1,128**	**1,609**	**2**	**2,739**
DEPRECIATION				
At 1 January 2022	(68)	(721)	-	(789)
Charge for year	(12)	(159)	-	(171)
Disposals	-	50	-	50
Impairment	-	-	-	-
At 31 December 2022	**(80)**	**(830)**	**-**	**(910)**
NET BOOK VALUE				
At 1 January 2022	1,060	834	-	1,894
At 31 December 2022	**1,048**	**779**	**2**	**1,829**

Included within freehold land and buildings above is £476,143 (2021: £476,143) of non-depreciable land.

The net book value of land and buildings occupied by the Society for its own activities is £1,048,256 (2021 £1,060,282). The Society's annual assessment did not show any impairments of the Society's premises in 2022.

A review of equipment, fixtures and fittings during the year has prompted the disposal of £49,939 (2021: £766,197) of other fixed assets which were at £nil net book value and which were either obsolete or had been replaced with upgrades during the year. Other fixed assets with a residual net book value of £2,346 were also disposed of in 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 2022	1,209	63	1,272
Additions/Transfers	88	81	169
Disposals/Transfers	(97)	(52)	(149)
At 31 December 2022	**1,200**	**92**	**1,292**
AMORTISATION			
At 1 January 2022	(988)	-	(988)
Charge for year	(130)	-	(130)
Disposals/Transfers	97	-	97
At 31 December 2022	**(1,021)**	-	**(1,021)**
NET BOOK VALUE			
At 1 January 2022	221	63	284
At 31 December 2022	**179**	**92**	**271**

A review of intangible assets during the year has prompted the disposal of £96,579 (2021: £449,255) of intangible assets which were at £nil net book value and which were obsolete or had been replaced with upgrades during the year. Transfers from assets in the course of construction of £52,856 are included in additions/transfers in software of £87,876 and represent assets which were brought into use by the Society during the year. The Society has recognised no amounts (2021: £nil) relating to the research and development of an intangible asset in the Statement of Comprehensive Income during the year.

16 PREPAYMENTS AND ACCRUED INCOME

	2022 £000	2021 £000
Prepayments	601	457
	601	457

NOTES TO THE ACCOUNTS (CONTINUED)

17 SHARES

	2022 £000	2021 £000
Held by individuals	335,334	322,203
	335,334	322,203
Shares are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	787	377
Repayable on demand	146,950	158,672
Other shares by residual maturity repayment:		
In not more than three months	108,384	97,982
In more than three months but not more than one year	22,019	29,547
In more than one year but not more than five years	55,593	34,088
In more than five years	1,601	1,537
	335,334	322,203

18 AMOUNTS OWED TO CREDIT INSTITUTIONS

	2022 £000	2021 £000
Amounts owed to credit institutions are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	483	19
Repayable with agreed maturity dates or period of notice:		
On Demand:	2,850	-
In not more than three months	3,000	-
In more than three months but not more than one year	5,000	1,000
In more than one year but not more than five years	60,000	60,000
	71,333	61,019

Included in the amounts above is £65.0m (2021: £60.0m) of funding drawn from the Bank of England Sterling Monetary Framework, of which £60.0m (2021: £60.0m) was from the Term Funding Scheme with additional incentives for SME's (TFSME). This also included £5.0m (2021: £0.0m) from the Index Long-Term Repo (ILTR). TFSME and ILTR are schemes within the Bank of England Sterling Monetary Framework, which involve 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 61.

NOTES TO THE ACCOUNTS (CONTINUED)

19 AMOUNTS OWED TO OTHER CUSTOMERS

	2022 £000	2021 £000
Amounts owed to other customers are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	46	-
On demand	19,617	21,696
With agreed maturity dates or period of notice:		
In not more than three months	13,283	8,346
In more than three months but not more than one year	7,881	4,420
	40,827	34,462

20 ACCRUALS

	2022 £000	2021 £000
Accruals	902	480
	902	480

21 OTHER LIABILITIES

	2022 £000	2021 £000
Falling due within one year:		
Corporation tax	118	310
Other creditors	576	601
	694	911

22 DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Accelerated capital allowances	-	-	142	116	142	116
Short term timing differences	(69)	(48)	-	-	(69)	(48)
Tax (assets) / liabilities	**(69)**	(48)	**142**	116	**73**	68

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. This rate was substantively enacted on 24 May 2021 and, as a result, deferred tax balances as of 31 December 2022 take account of this rate where appropriate.

NOTES TO THE ACCOUNTS (CONTINUED)

23 PROVISIONS

	Bonus Provision > 1 yr £000	Rental Dilapidations £000	Total £000
Balance at 1 January 2022	110	10	120
Provisions charged during the year	181	11	192
Provisions utilised during the year	(110)	(10)	(120)
Provisions released to profit and loss	-	-	-
Balance at 31 December 2022	**181**	**11**	**192**

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

The rental dilapidations provision relates to an assessment of the branches that the Society leases and any potential work that would be required in the event that the Society allowed these leases to end. The review has led to a £10,560 (2021: £9,600) provision for these works as a result. The provision is expected to be utilised between 2023 and 2029 as the leases terminate.

NOTES TO THE ACCOUNTS (CONTINUED)

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 2022 (2021: £nil).

25 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2022		2021	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Less than one year	34	-	34	-
Greater than one year less than five years	125	-	125	-
Greater than five years	51	-	82	-
	210	-	241	-

26 GENERAL RESERVES

	2022 £000	2021 £000
At 1 January	33,462	31,148
Profit for the financial year	1,902	2,314
At 31 December	**35,364**	33,462

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 2022		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	64,931	-	-	64,931
Loans and advances to credit institutions	17,829	-	-	17,829
Other liquid assets	1,010	-	-	1,010
Derivative financial instruments	-	-	3,622	3,622
Loans and advances to customers	395,006	-	-	395,006
Total Financial Assets	**478,776**	-	**3,622**	**482,398**
Non-financial assets				2,701
Total Assets				**485,099**
FINANCIAL LIABILITIES				
Shares	-	335,334	-	335,334
Amounts owed to credit institutions	-	71,333	-	71,333
Amounts owed to other customers	-	40,827	-	40,827
Derivative financial instruments	-	-	380	380
Other liabilities	-	1,478	-	1,478
Total Financial Liabilities	-	**448,972**	**380**	**449,352**
Non-financial liabilities				383
Total Liabilities				**449,735**
RESERVES				
General reserves				35,364
Total				**485,099**

NOTES TO THE ACCOUNTS (CONTINUED)

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

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.

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	2022 Level 2 £000	2021 Level 2 £000
Financial Assets		
Interest rate swaps	3,622	484
Hedged risk	556	91
	4,178	575
Financial Liabilities		
Interest rate swaps	380	91
Hedged risk	3,535	450
	3,915	541

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 2022 and 2021 are shown in the following table:

	2022 £000	2021 £000
Loans and advances to customers	105,131	97,459
	105,131	97,459

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

NOTES TO THE ACCOUNTS (CONTINUED)

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:

	2022 £000	2021 £000
Cash in hand and balances with Bank of England	64,931	69,649
Loans and advances to credit institutions	17,829	16,695
Other liquid assets	1,010	-
Derivative financial instruments	3,622	484
Loans and advances to customers - fully secured on residential property	388,557	359,012
- fully secured on land	9,427	4,699
Total statement of financial position exposure	485,376	450,539
Off balance sheet exposure - mortgage commitments	46,352	27,638
	531,728	478,177

NOTES TO THE ACCOUNTS (CONTINUED)

MORTGAGE BOOK CREDIT RISK

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

	NOTE	2022 Loans fully secured on residential property £000	2022 Loans fully secured on land £000	2021 Loans fully secured on residential property £000	2021 Loans fully secured on land £000
Not Impaired					
Neither past due nor impaired		368,335	9,040	342,000	4,685
Past due under 3 months but not impaired		4,612	-	3,189	-
Past due 3 months and over but not impaired		2,907	-	1,201	20
Impaired					
Not past due		7,920	448	9,493	-
1-2 months		4,603	-	2,145	-
2-4 months		164	-	317	-
4-6 months		60	-	492	-
6 months +		712	19	645	-
		389,313	**9,507**	359,482	4,705
Allowance for Impairment					
Individual		(187)	(48)	(194)	-
Collective		(569)	(32)	(276)	(6)
	13	**(756)**	**(80)**	(470)	(6)
Loans and Advances to Customers	12	**388,557**	**9,427**	359,012	4,699

	2022 £000	2021 £000
Indexed Value of Collateral Held		
Neither past due nor impaired	1,025,499	953,407
Past due but not impaired	19,327	12,089
Impaired	25,491	22,007
	1,070,317	987,503

The allowance for impairment category includes cases in forbearance and arrears cases and customers who have entered into an IVA or bankruptcy.

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 52 to 55.

NOTES TO THE ACCOUNTS (CONTINUED)

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 2022. This index takes into account regional data from 11 different regions within the UK. The Society uses this index to update its mortgage portfolio on a monthly basis. Current economic conditions and their impact on the cost of living have resulted in an increase in provision as we anticipate a fall in HPI.

The value of collateral held against impaired loans at 31 December 2022 is £25,491k (2021: £22,007k) against outstanding debt of £13,927k (2021: £13,092k).

The value of collateral held against loans past due but not impaired as 31 December 2022 is £19,327k (2021: £12,089k) against outstanding debt of £7,519k (2021: £4,410k).

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
	2022 %	2021 %	
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 for mortgages fully secured on residential properties (FSRP) and mortgages fully secured on land (FSOL). 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.

	2022		2021	
	FSRP 2022 £000	FSOL 2022 £000	FSRP 2021 £000	FSOL 2021 £000
LTV Ratio				
Less than 50%	151,582	7,890	135,058	3,302
51 – 70%	150,283	1,617	127,514	1,403
71 – 90%	80,691	-	90,592	-
91 – 100%	6,589	-	6,145	-
More than 100%	169	-	174	-
	389,314	**9,507**	359,483	4,705

The average LTV for the total loan book is 37.3% (2021: 36.9%). The amount showing in the table as more than 100% LTV for 2022 relates to a single Shared Ownership mortgage which was revalued during a transfer of equity agreement. The amount showing in the table as more than 100% LTV for 2021 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.

NOTES TO THE ACCOUNTS (CONTINUED)

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 £34.29m (2021: £26.21m) 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 year end date:

	2022 Number	2021 Number
Temporary concession	6	5
Agreed formal arrangements	12	11
Loan modification	13	15
	31	31

At 31 December 2022 £2.39m (2021: £2.53m) of loans are subject to forbearance.

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 2022	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	No specific maturity £000	Total £000
ASSETS							
Cash in hand and balances with Bank of England	64,931	-	-	-	-	-	64,931
Loans and advances to credit institutions	9,249	2,524	6,056	-	-	-	17,829
Other liquid assets	-	1,010	-	-	-	-	1,010
Derivative financial instruments	-	25	653	2,928	16	-	3,622
Loans and advances to customers	266	5,634	11,317	51,407	326,382	-	395,006
Other assets	-	-	-	-	-	2,701	2,701
Total Assets	**74,446**	**9,193**	**18,026**	**54,335**	**326,398**	**2,701**	**485,099**
LIABILITIES							
Shares	147,500	108,491	22,064	55,668	1,611	-	335,334
Amounts owed to credit institutions	2,858	3,022	5,027	60,426	-	-	71,333
Amounts owed to other customers	19,617	13,304	7,906	-	-	-	40,827
Derivative financial instruments	-	-	-	380	-	-	380
Other liabilities	-	-	-	-	-	1,861	1,861
Reserves	-	-	-	-	-	35,364	35,364
Total Liabilities	**169,975**	**124,817**	**34,997**	**116,474**	**1,611**	**37,225**	**485,099**
Net Liquidity Gap	**(95,529)**	**(115,624)**	**(16,971)**	**(62,139)**	**324,787**	**(34,524)**	**-**

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	No specific maturity £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	-	1	32	451	-	-	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	78,135	3,697	19,174	52,740	296,435	2,635	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	-	9	47	35	-	-	91
Other liabilities	-	-	-	-	-	1,579	1,579
Reserves	-	-	-	-	-	33,462	33,462
Total Liabilities	180,614	106,400	35,071	94,146	1,544	35,041	452,816
Net Liquidity Gap	(102,479)	(102,703)	(15,897)	(41,406)	294,891	(32,406)	-

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 2022	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
FINANCIAL LIABILITIES						
Shares	147,577	109,160	22,269	58,430	2,111	339,547
Amounts owed to credit Institutions	2,858	3,032	5,091	65,312	-	76,293
Amounts owed to other customers	19,639	13,362	8,029	-	-	41,030
Derivative financial instruments	-	(23)	(483)	18	190	(298)
Total Financial Liabilities	**170,074**	**125,531**	**34,906**	**123,760**	**2,301**	**456,572**

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
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

NOTES TO THE ACCOUNTS (CONTINUED)

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

	2022		2021	
	200bp parallel increase £000	200bp parallel decrease £000	200bp parallel increase £000	200bp parallel decrease £000
As at 31 December	(118)	118	(454)	454
Average for the year	(556)	556	(698)	698
Maximum for the year	(875)	875	(843)	843
Minimum for the year	(118)	118	(454)	454

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 61.

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 2022, the Society made contributions of £419,862 (2021: £317,741), which are included in the Statement of Comprehensive Income and shown in Note 6 within staff costs. At 31 December 2022, 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. 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	
	2022	2021
Price inflation	3.05%	3.35%
Discount rate	5.00%	1.80%
Pension increase (RPI)	2.91%	3.25%

In valuing the liabilities of the Scheme at 31 December 2022, assumptions have been made as indicated above. If the discount rate were to decrease by 0.25%, the value of the reported liabilities would have increased by approximately £0.15m (2021: £0.32m) before adjustment for deferred taxation. Similarly, if the life expectancies shown below increased by one year an increase of £0.12m would be seen in liabilities, and if the inflation rate shown were to increase by 0.25%, then a decrease of £0.15m (2021: £0.31m) 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.

	As at 31 December	
Assumed Life Expectancies on Retirement at Age 65	2022	2021
Male retiring immediately	21.3 years	21.2 years
Female retiring immediately	23.1 years	23.0 years

Amounts Recognised in the Balance Sheet:	2022 £000	2021 £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	2022 £000	2021 £000
Fair value of plan assets	8,408	8,638
Present value of defined benefit obligation	(4,865)	(7,600)
Surplus in plan	3,543	1,038
Unrecognised surplus	(3,543)	(1,038)
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. The surplus is not deemed to be available to the Society as the Trustees have the ultimate right to apply the scheme's assets to settle the scheme's liabilities in respect of pension and other benefits.

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

	As at 31 December	
	2022 £000	2021 £000
Defined benefit obligation at start of period	7,600	7,764
Expenses	-	-
Interest expense	135	107
Actuarial losses	(2,627)	4
Benefits paid and expenses	(243)	(275)
Losses due to benefit changes	-	-
Defined Benefit Obligation at End of Period	**4,865**	7,600

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

	As at 31 December	
	2022 £000	2021 £000
Fair value of plan assets at start of period	8,638	9,222
Interest income	153	127
Actuarial (losses) / gains	(142)	(436)
Contributions by the Society	8	8
Administrative expenses	(6)	(8)
Benefits paid and expenses	(243)	(275)
Fair Value of Plan Assets at End of Period	**8,408**	8,638

The actual return on the plan assets over the period ended 31 December 2022 was a gain of £11,000 (2021: a loss of £309,000).

	As at 31 December	
	2022 £000	2021 £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 2022, contributions by the Society of £7,500 were made to the Scheme (Year to 31 December 2021: £7,500).

The total amount recognised in other comprehensive income in respect of actuarial gains and losses is £nil (2021: £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	
	2022 £000	2021 £000
Defined Benefit Costs Recognised in Other Comprehensive Income:		
Return on plan assets (excluding amounts included in net interest cost) – gain / (loss)	142	(436)
Experience gains and losses arising on the plan liabilities – gain	295	-
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – (loss)	(2,922)	(4)
Effects of changes in the amount of surplus that is not recoverable – gain	2,485	440
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	
	2022 Fair value £000	2021 Fair value £000
Components		
Equities	3,249	3,457
Bonds	4,040	3,757
Property	776	709
Cash	28	322
Other	315	393
Total	**8,408**	8,638

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, the Capital Requirements Directive IV (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'.

	2022 £000	2021 £000
COMMON EQUITY TIER 1 CAPITAL		
General reserve	35,364	33,462
Intangible assets	(271)	(284)
TOTAL COMMON EQUITY TIER 1 CAPITAL	**35,093**	33,178
TIER 2 CAPITAL		
Collective provision	601	282
TOTAL REGULATORY CAPITAL	**35,694**	33,460

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 2022:

- the Society's principal activities are mortgage lending and the provision of savings accounts;
- the Society's turnover (defined as net interest receivable) was £10.6m (2021: £9.2m) and profit before tax was £2.35m (2021: £2.88m), all of which arose from UK based activity;
- the average number of Society full time equivalent employees was 99 (2021: 92), all of whom were employed in the UK;
- corporation tax of £630k (2021: £448k) 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 2022

1 STATUTORY PERCENTAGES

	As at 31 December 2022 %	Statutory Limit %
Proportion of business assets other than in the form of loans fully secured on residential property – 'Lending limit'	3.45	25.00
Proportion of shares and borrowings other than in the form of shares held by individuals – 'Funding limit'	24.43	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	
	2022 %	2021 %
As a percentage of shares and borrowings:		
Gross capital	7.90	8.01
Free capital	7.57	7.56
Liquid assets	18.72	20.67
Profit after taxation as a percentage of mean total assets	0.41	0.52
Management expenses as a percentage of mean total assets	1.64	1.48

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 2022 and 2021 total assets.

'Liquid assets' represent the total of cash in hand, treasury bills and debt securities and loans and advances to credit institutions and other liquid assets 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 2022 (CONTINUED)

3 INFORMATION RELATING TO THE DIRECTORS AT 31 DECEMBER 2022

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	Rockstead Ltd Rockstead Group Ltd
Colin Bradley ACA, ACIB	1952	28.05.2015	Building Society Director	-
Rachel Haworth FCIM	1972	16.12.2021	Building Society Director	Phoenix Group
Lucy McClements FCCA	1976	30.07.2020	Consultant	Finwell Coaching & Consulting Ltd Fire Financial Services Ltd (fire-UK) Fire Financial Services Ltd (fire-EU) 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 Corporation Board Member – Vision West Notts College
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.

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 2022 (CONTINUED)

Board Chair
Alison Chmiel, FCMA

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

Non-Executive Directors
Colin Bradley, ACA, ACIB
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
Jim Stevens

Mortgage Executive
Dave Newby

Commercial Development Executive
Richard Crisp, DipFSM

Head of Products and Marketing
Mike Taylor, LLB, ACIB

Head of HR
Vickie Preston

Head of Specialist Lending
Linda Herbert

Auditor
Mazars 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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KIRKBY IN ASHFIELD

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CHESTERFIELD

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