

2017

InTouch

Keeping you up to date
with your Society



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Welcome

To our 2017 members' newsletter

Our Charitable Foundation continues to support worthy groups and charities. Find out more about their incredible work on page 8.

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We're incredibly proud to announce another strong set of results up to April 2017. The Board and I would like to share the results with you in person at our forthcoming Annual General Meeting (AGM).

I would like to take this opportunity to invite you to attend the AGM at 11.00am on Wednesday 23rd August at Rodney Parade Stadium in Newport. There will be an opportunity for you to put questions to the Board at the meeting, but if you are unable to attend, or would prefer, you're welcome to submit written questions in advance (please see page 10 for further details).

As always you can vote in person at our AGM, at any branch or agency office, online through our scrutineers website, or you can complete and return the proxy voting form. For every valid voting form received (paper or online), we will donate 20p to All Creatures Great and Small, our Charity of the Year 2017/18. And, to help us do even better for you our members in the future, we are delighted to offer those who return a copy of the enclosed Questionnaire a chance to win a two night stay at Angel Hotel Abergavenny with evening meal (see page 10 for more details).

Haydn Warman
Chairman



How your Society is transforming

The Society is on an exciting transformation programme, and we're sharing this with you first.

Your Society is built upon the loyalty of you, our members, but also the passion our colleagues have for our primary aim which is to help local people buy their first home.

We have solid foundations on which we can build to ensure you receive that personable customer experience you know so well, the skills of our valued colleagues, the quality of our mortgage and savings products, and clearly defining our purpose in this highly competitive market.

We have embarked on this transformation programme to refocus the Society and to implement a bold, confident path ahead so we are here for future generations.

We show our commitment by having branches and agencies on high streets while others are pulling away, our underwriters are human, and this is something that won't change. It's this personal touch allied to our product range that really sets us apart.

As for the future, it's looking bright! We'll be leaving no stone unturned in our aim to make Monmouthshire Building Society stand head and shoulders above the competition within our heartlands.

Currently, we're working on a complete overhaul of how we present ourselves to customers, and this is coinciding with a redesign of our website. We'll be sharing more on this in the coming months.

And the question on everyone's lips is, will the squirrel live to tell the tale? You'll just have to wait and see...



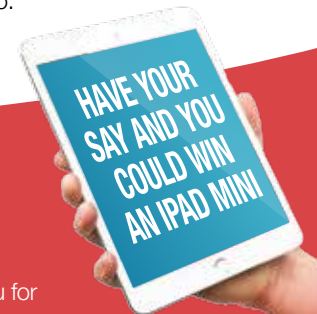
We're changing our sortcode and bank account numbers

At Monmouthshire, we're always doing everything we can to protect your interests. As part of the Financial Services (Banking Reform) Act 2013, which was put together by the financial services industry in response to the global economic crisis, a number of changes to the way banks and building societies are set up were recommended.

One of these changes was the need to completely separate, or ring-fence, UK retail banking from any wholesale or investment banking activity to protect UK taxpayers and the wider economy in the event of another crisis.

As a result of this separation, HSBC have informed the Society that they will change our sort code and bank account number details.

We can assure you that this change will be done with as little inconvenience to you as possible, and there is nothing to worry about. We will update you as and when we need to make the changes and we'll make sure you're given plenty of notice to take any next steps needed. We'll be in touch about this change soon with step-by-step guidance on what you need to do.



We need you!

We're committed to listening to our members and we really care about what you think. That's why feedback about our products, services and communications is so important to us as it helps us provide what you want and need!

To help us with that all important feedback, we're inviting our valued members like you to join our Member Research Panel – to simply share your experience and views.

We'll be asking our panel to complete an online survey no more than one every couple of months, so don't worry, we won't bombard you with requests. And all you need to take part is a valid email address and to be comfortable answering simple online surveys.

As a thank you for taking part, each time you complete an online survey you'll be given the opportunity to enter our free prize draw to win a gift card of your choice.

It's easy to register for our Member Research Panel

It's easy to join, simply visit www.monbs.com/researchpanel and complete the form. What's more, if you register before 29th September we will enter you into our free prize draw to win an iPad Mini (terms and conditions apply).

Thank you for helping us make Monmouthshire Building Society even better for our members.

Community news

As a responsible, member-owned business, one of our values is community support. The wide range of activities we've taken part in over the past year gives us the opportunity to demonstrate that business is a force for good, and helps to raise the profile of vital social issues.



All Creatures Great & Small Announced as Society's Charity of the Year 2017/18

The Society has named All Creatures Great & Small, the South Wales based animal sanctuary which helps rehabilitate and re-home injured, abused, unwanted and orphaned animals as its latest Charity of the Year

All Creatures Great and Small was founded in 1992 and, since its inception, has helped thousands of animals gain a second chance at a new life, free from fear, abuse or neglect.



Business in the Community

Give & Gain Day is the only global day of employee volunteering. Now in its ninth year, it saw thousands of people from hundreds of companies volunteering on 20th May 2017.

This year, a group of Society staff members volunteered at Porthkerry Park, Barry, litterpicking and creating wildlife habitats.

Staff Members Raise over £8,000 for LATCH

Last year, the Society named LATCH its Charity of the Year, with the aim to raise as much money as possible to help support children who are being treated by the Oncology Unit at the Children's Hospital of Wales.

Since May 2016, colleagues from across the Society have taken part in an exciting range of fundraising activities, from half marathons to holistic therapy days and

raffles which have helped to raise £8,394.63 to support LATCH's essential services for children with cancer, as well as their families who are often in need of support.

The charity needs to raise £600,000 a year on average in order to cover its day to day running costs which is a mammoth task for its small team of dedicated staff.



Supporting our Community



During the last financial year, Monmouthshire Building Society Charitable Foundation has provided support to a diverse range of locally based organisations.

Our Charitable Foundation awarded **Riverside Rovers Junior Football Club** £604 funding to purchase footballs, cones, goals, bibs and waterproof jackets to be used in their weekly football training and matches.



Riverside Rovers Junior Football Club Under 8s

The **Society for the Welfare of Horses and Ponies** is a Monmouth based charity who rescue and rehabilitate horses from across the UK, providing facilities for their treatment before eventually finding them suitable forever homes. They received £396 to purchase a horse weighing scales in order to provide first class care to the horses and ponies in their care.



Society for the Welfare of Horses and Ponies

Llanrumney RFC Minis and Juniors are a small rugby club for children aged 5 to 14 and is run by volunteers and relies entirely on donations. They were in desperate need of rugby balls and a suitable kit and received £733 from the Foundation to help purchase this essential equipment.



Llanrumney RFC Minis and Juniors



Cwmbran Stroke Support Group

The **Cwmbran Stroke Support Group** is a grassroots group providing support to members of the community to help them meet socially as well as share valuable information on health, wellbeing and extra support available. They received £236 for whiteboards and a digital camera.

How do I apply for a grant?

Full information on how to apply can be found in the Foundation's application form available from any branch or agency or by visiting www.monbs.com/mbscf

 www.facebook.com/monmouthshirebscf

Have your say!

We exist for our members, and your feedback helps shape everything we do. To help us provide you with the best products and services, we invite you to complete the enclosed questionnaire and return it in the pre-paid envelope. Alternatively, you can complete the customer questionnaire at www.mymonbsvote.co.uk.

All questionnaires returned by Wednesday 23rd August will automatically be entered into a special prize draw to win one of the following prizes:

1st Prize

A two night stay at the Angel Hotel Abergavenny with an evening meal.

2nd Prize

Bath Thermae Spa Session: Twilight package including a light meal in the Springs Restaurant.

3rd Prize

High Tea Voucher for Two, Angel Hotel Abergavenny.

Remember to Vote

We operate for the benefit of our members and encourage you to take an active interest in your Society. Please remember to vote for the proposed resolutions outlined on the proxy form.

You can vote in person at our AGM, at any of our branch and agency offices or online through our Scrutineers' website. Alternatively, complete the proxy form and return by freepost. For every valid voting form received (paper or online), we will donate 20p to All Creatures Great & Small, our Charity of the Year 2017/18.

Ask a Question at our AGM

If you'd like to ask a question at our AGM, but can't attend in person, we welcome written questions in advance of the meeting. To submit a question simply complete the form at www.monbs.com/agmquestions, email us at agmquestions@monbs.com or write to: The Secretary, AGM Questions, Monmouthshire Building Society, Monmouthshire House, John Frost Square, NP20 1PX. All written questions must be submitted to us by **5.00pm on Friday 18th August 2017**. Members must provide their name and address in order for us to confirm their eligibility to ask a question.

Notice of Annual General Meeting

Notice is hereby given that the 148th Annual General Meeting of Monmouthshire Building Society will be held at the Business Suite, Rodney Parade Rugby Ground, Newport, South Wales, on Wednesday 23rd August 2017 at 11.00am for the following purposes:

Ordinary Resolutions

- 1 To receive the Auditors' Report, Directors' Report, Annual Accounts and Annual Business Statement for the year ended 30th April 2017.
- 2 To re-appoint Deloitte LLP as auditors until the conclusion of the next Annual General Meeting.
- 3 To approve the Directors' Report on Remuneration for the year ended 30th April 2017.

Election/Re-Election of Directors

- 4 To elect/re-elect the following Directors:
 - (a) To re-elect Paul Leader
 - (b) To re-elect Anthony David Morgan
 - (c) To elect Trevor Barratt
 - (d) To elect James Jaiparkash Bawa

Other

- 5 To transact any other business permitted by the Rules of the Society.

By Order of the Board

Paul Leader

Corporate Governance Director & Secretary

22nd June 2017





Notes

1. These Notes form part of the Notice of Meeting.
2. Under the Society's Rules, a member entitled to attend the Meeting and vote may appoint one proxy to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy, and your proxy does not have to be a member of the Society. Your proxy may vote for you at the Meeting but only on a poll. A poll is a formal vote, which may take place after an initial vote by a show of hands. Your proxy may not speak at the Meeting except to demand or join in demanding a poll.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the proxy form.
4. The voting date is the date of the Meeting - Wednesday 23rd August 2017 if voting in person, or Friday 18th August 2017 if voting at any of our branch or agency offices, online or by post.
5. In order to attend and vote at the Meeting, or appoint a proxy, you must qualify as either a shareholding member or a borrowing member.

Shareholding Members

(a) To qualify as a shareholding member, you must:

- (i) if you are an individual, be at least 18 years old on 23rd August 2017, and
- (ii) have held shares to the value of not less than £100 in the Society on 30th April 2017, and
- (iii) not have ceased to hold a share or shares in the Society at any time between 30th April 2017 and the voting date, and
- (iv) hold a share or shares in the Society on the voting date.

- (b) Where the shares are held jointly by two or more persons, only the first named in the records of the Society in respect of those shares can have any voting rights.**

Borrowing Members

(a) To qualify as a borrowing member you must:

- (i) be at least 18 years old on 23rd August 2017, and
- (ii) have owed the Society not less than £100 in respect of a mortgage debt on 30th April 2017, and
- (iii) owe the Society not less than £100 in respect of a mortgage debt on the voting date.

- (b) Where a mortgage debt is owed jointly by two or more persons, only the first named in the records of the Society in respect of that mortgage can have any voting rights.**

6. In addition, you can vote only once as a member, irrespective of:

- (a) the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee), and
- (b) whether you qualify to vote as both a Shareholding Member and a Borrowing Member.

- 7. Members attending the Meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. Please also bring the Proxy Voting Form with you. If you are appointing a proxy, other than the Chairman of the Meeting, to attend the Meeting and vote on your behalf, please ensure that your proxy brings an appropriate form of identification to the Meeting.**

If you appoint a proxy to vote on your behalf and your proxy does not attend the meeting, your vote will not be counted.

Monmouthshire Building Society Annual General Meeting 2017

Date: Wednesday 23rd August
Time: 11.00am
Venue: The Business Suite,
Rodney Parade Rugby Ground,
Newport, NP19 0UU



If you are planning to attend:

- Please remember to bring your voting form or your Passbook
- There is plenty of free parking available in the Rugby Ground, which is just 30 metres away from the Business Suite
- The doors open at 10.30am to allow for registration prior to the meeting starting at 11.00am
- The venue and meeting room have wheelchair access
- Tea, coffee and refreshments will be provided
- Any questions, please call us on 01633 844 444

Director Profiles 2017



Debra Lewis

Debra Lewis

Debra joined the Board in 2014 and is an independent member of several investment committees for Rothschild & Co. She grew up in South Wales, is a Fellow of the Institute of Chartered Accountants in England and Wales, and holds an LLB law degree from University College Cardiff.

She qualified as a Chartered Accountant with Ernst & Young and worked with them in both London and Sydney. She then spent over 18 years in the City with Rothschild & Co, initially in internal audit and then held a variety of roles in lending, debt advisory and latterly as Head of Credit, overseeing lending activities before assuming her current role as a Consultant.

She is Chairman of the Risk Committee and serves on the Nominations & Corporate Governance Committee.



Haydn Warman

Haydn Warman

Appointed to the Board in 2010, Haydn has 32 years senior management experience in the building society sector. Cardiff born, he graduated from Aberystwyth University with an LLB Honours degree. He qualified as a solicitor and became a partner in a private practice before joining the Legal Division of the Welsh Office. He subsequently became a senior executive with Principality Building Society, being appointed Society Secretary and later a director of the Society, until retiring from executive office in 2010. During that period he was also a member of the Building Societies Association Legal Panel.

Haydn has served as Deputy Chairman of the University of South Wales and chaired the University's Remuneration Committee. He is a governor of Christ College Brecon. He has served as a director of Royal Welsh College of Music and Drama Limited and a non-executive member of the Audit and Risk Management Committee of the Wales Audit Office.

He was appointed Chairman of the Board in August 2014, having previously served as Vice Chairman. He is Chairman of the Nominations & Corporate Governance Committee and serves on the Risk Committee.

James Bawa

James was appointed as Chief Executive of the Society in November 2016 and has extensive experience of the financial services sector. He was formerly the Chief Executive of Teachers Building Society, which he joined in 2002. Prior to joining Teachers, he worked as Chief Executive at Scottish Legal Life following senior management posts at LV, Friends Provident and NM Schroders.

James is a member of the Financial Conduct Authority's Smaller Business Practitioner Panel and previously sat on the Financial Services Authority's Regulatory Decisions Committee for 6 years. He is fully committed to mutuality and the benefits it offers to members. He is a member of the Nominations & Corporate Governance Committee.

James Bawa



Nina Hingorani-Crain

Nina Hingorani-Crain

Appointed to the Board in August 2015, Nina has 20 years' experience in the financial services sector.

After graduating from King's College London with an LLB Honours degree, and from the Sorbonne Paris with the French equivalent, she qualified as a Chartered Accountant with the Institute of Chartered Accountants in England & Wales.

She then spent 5 years working for Ernst & Young in their Corporate Finance practice, where a number of her clients were building societies, before being recruited to join the former Financial Services Authority ("FSA"). In her 10 years working with the regulator she undertook a variety of roles, initially in international strategy representing the FSA globally alongside the IMF and World Bank. This was followed by management positions, as the Chairman's Principal Private Secretary during the global financial crisis and subsequently as Chief of Staff leading the demerger of the FSA and the creation of the new Financial Conduct Authority ("FCA").

Whilst at the FCA, Nina also undertook a 6 month strategic secondment to Age UK to inform the regulator's strategy of placing consumer needs at the heart of its mandate. She brings a wide range of knowledge in conduct and consumer areas to the Board and combines her non-executive responsibilities with charitable work focused on children. She is Chief Operating Officer of the charity Children's Hospices across London.

She serves on the Audit and Remuneration Committees.



Paul Leader

Paul Leader

Appointed to the Board as an executive director in 2008, Paul is the Society's Corporate Governance Director & Secretary. He graduated from Cardiff University with a BSc Honours degree in Computer Science and started at the Society in 1991 as IT Manager.

In 2003 he was appointed Assistant General Manager and in 2005 General Manager (Customer & Information Services). He was more recently Information Services Director & Secretary. He is a director of Mutual Vision Technologies (the Society's prime IT supplier) and is the member nominated Trustee of the Society's employee pension scheme.

Other Directors



Roger Turner

Roger Turner

Appointed to the Board in September 2015, Roger has some 30 years' experience in the financial services sector, most recently as the Head of Group Capital and Treasury at Schroders plc and now CEO of an asset management firm in London and a non-executive director of Shepherds Friendly Society based in Cheshire.

His experience is wide ranging, having been a trader in fixed income and derivatives and also as a regulator, in addition to his extensive consultancy experience as a partner in the Financial Services Regulatory Practice of PricewaterhouseCoopers from 1997 to 2009.

Roger has worked predominantly in the UK but has substantial experience of working for organisations overseas, most notably in the Far East and USA, and his clients have included both corporate bodies and governments. He holds a BA (Hons) in Business Studies and an MBA in Finance from City University Business School.

Outside of work, he is a keen golfer and runner having completed both the London and Brighton marathons. He is Chairman of the Remuneration Committee and serves on the Audit Committee



Tony Morgan

Tony Morgan

A Fellow of the Institute of Chartered Accountants who was appointed to the Board in 2013, Tony previously worked for PricewaterhouseCoopers (PwC) as Senior Partner in Wales and Deputy Chairman of the Wales and West Region.

He spent nearly 33 years with PwC including 22 years as a partner of the firm. During his career, he was based in Cardiff, London and Sydney, where he carried out a wide range of accountancy, audit, investigation and governance assignments for PwC clients in the UK and overseas.

Subsequent to his retirement he has undertaken roles at the University of South Wales as Governor, Chair of the Finance & Resources Committee and Member of the Remuneration Committee; at the Welsh Assembly Commission as Independent Adviser and Chairman of the Remuneration Committee; and also at Geldards Law Firm as Chairman of the Audit Committee and as an independent adviser as well as being a non-executive director of Power Poles Ltd.

He was appointed Vice-Chairman of the Board in August 2016 and is Chairman of the Audit Committee. He also serves on the Remuneration Committee.



Trevor Barratt

Trevor Barratt

Appointed to the Board in July 2016, Trevor has more than 25 years' experience as a senior executive in governance and risk management, with the majority of this time spent in mainstream retail and commercial banking.

With extensive experience across both small and large entities, Trevor is a specialist in risk, and his experience spans business risk, governance, and fighting financial crime.

An Associate of the Chartered Institute of Financial Services, he gained a Postgraduate Diploma before completing a Master of Business Administration from Sheffield Hallam University. For several years he was the Head of Strategic Risk for Lloyds Bank, working within the Group Risk function, and subsequently he became the Chief Risk Officer of Charities Aid Foundation Bank, before moving to Duncan Lawrie Private Banking Group, prior to taking up his current role. He is the Quality Director at Fairbanking Foundation.

He is a non-executive director of a private bank, with an international clientele. He is also a member of the International Compliance Association, and the Chartered Institute for Securities & Investment. Trevor also holds the FT Advanced NED Diploma.

Outside of work, he has a keen interest in football and walking and supports a number of charity fundraising endeavours. He serves on the Risk and Nominations & Corporate Governance Committees.



William Carroll

William Carroll

A Fellow of the Institute of Chartered Accountants, William joined the Society in 2004, having previously worked for Deloitte LLP, and was appointed to the Society's Board in 2009 as Finance Director. In 2017 he was appointed the Society's Finance and Change Director having assumed responsibility for Business Change, Strategy & Projects within the Society. He is Chairman of the Society's Assets & Liabilities Management Committee. In addition, he is a Trustee of the Society's Charitable Foundation.

Summary Financial Statement

for the year ended 30 April 2017

The Directors have pleasure in presenting the Summary Financial Statement of the Group for the year ended 30 April 2017. The financial statement is a summary of information contained in the audited Annual Report, Directors' Report and the Annual Business Statement all of which will be available to members and depositors free of charge on demand at every office of the Monmouthshire Building Society from 9th August 2017.

2017 Highlights

Results	2017	2016	2015	2014	2013
Growth					
Total Assets (£ millions)	1,053.8	1,073.5	1,047.9	975.6	885.1
Capital					
Common Equity Tier 1 capital ratio (% Risk Weighted Assets)	16.11	14.72	13.45	13.06	12.79
Profitability					
Profit after tax (£ millions)	4.6	6.4	4.7	4.0	3.1
Profit after tax ratio (% mean total assets)	0.43	0.60	0.47	0.43	0.36
Management expenses ratio (% mean total assets)	0.93	0.75	0.67	0.67	0.70
Cost income ratio (%)	64.14	50.37	50.00	49.65	54.23

Our competitive strengths

Our strategy is underpinned by the Group's core business strengths:

- Flexibility and experience in relation to mortgage underwriting;
- Trust of its members;
- Excellent customer service resulting in high levels of customer satisfaction;
- Strong Statement Of Financial Position and operating structural capacity for organic growth on a meaningful scale;
- The Society's Branch and Agency network, located in the core operating area, forms a key part of those communities in which the Society operates.

Our strategy

In May 2016, the Board committed to a five year strategy focused on developing the Society's infrastructure and returning to its adopted principle of achieving long term sustainable mortgage growth.

In light of significant changes in the macroeconomic environment in which the Society operates following the Brexit vote in 2016, together with the appointment of a new CEO in November 2016, the Board has revisited and modified the previously agreed strategic plan.

Performance

The current financial year has been one of significant change, with further resource being invested in the Society's operating infrastructure, as the embedding of the Risk Management Framework continues. The appointment of a new CEO in November 2016 has led to further additional investment and an Executive restructure took place in March 2017.

Our business model

Monmouthshire Building Society is a strong regional building society which is primarily focused on providing residential mortgages and is funded substantially by members' savings accounts.

Our vision

Our mission is to maintain the Group as an independent and vibrant provider of competitive loans, savings, insurance and other financial products and to achieve long-term sustainable growth. At all times we will pursue the concept of mutuality by balancing the interests of both investing and borrowing members as equitably as possible within the framework of market forces.

Our distinctiveness

The foundations for providing a distinctive customer proposition are:

- our strong regional brand;
- our member-focussed culture; and
- our financial security. Our ambition to serve our members and local community runs through our culture and decision making, and is key to ensuring we are building a safe and sustainable business that our members trust.

Strategy

We will utilise the advantages of our mutual status to provide mortgage and savings products on the most competitive terms compatible with prudent management and financial security.

Lending

In order for the Society to reach its targeted levels of growth, enabling more members of the community to benefit from mutuality, while increasing margins and maintaining its strong capital position, the Society's lending strategy is to:

- Continue to offer low rates and compete on price for its core residential products;
- Serve a wider community base by offering a wider selection of niche products;
- Focus on delivering the highest quality service to its members and intermediaries;
- Minimise the high levels of redemptions activity that has been experienced in recent years; and
- Build strategic alliances with local businesses.

The above strategy will help to bring greater stability to a fluid mortgage book, as the Society aims for a period of steady sustainable net mortgage growth.

Development of infrastructure

The Board recognises the need to enhance the Society's operating infrastructure to provide operational resilience and an appropriate platform from which to grow and successfully compete in the digital age.

In this respect further work is being performed to enhance the newly developed Risk Management Framework and its associated governance processes.

Key changes to infrastructure relate to:

People

Underpinning the development and successful execution of the Society's strategy are the people in the business, the culture and their values and capability. There has been significant investment in developing and sustaining the culture, which encourages the Society's core values to be central to business activities, with colleagues empowered to deliver their objectives and senior management ensuring that people are equipped to successfully perform their roles. Ongoing investment in training and resourcing will ensure that there is the right capability at all levels within the business to successfully implement the strategy.

Processes and systems

MBS will commit significant resources to improve its IT infrastructure across all key areas of the business. As part of the changes, efforts will be made to review processes and increase operational efficiency in all areas, to drive maximum value for its members and enhance the Society's core competences.

A business strategy and change function will be established in the new financial year to assist in this goal to ensure that the business effectively prioritises, implements and obtains maximum benefits from strategic and regulatory change.

Premises

Additional resource is planned during the life of the strategy, with the number of colleagues expected to increase significantly over the period. Investment in the Head Office and Branch Network will be made to ensure the Society has a working environment which is modern, fit for purpose and will serve the Society for the duration of the strategic plan and beyond.

Distribution

The Society's distribution will be aligned to the entire 'customer experience'. 'Customer experience' relates to all forms of engagement between MBS and its members, including both sales and non-sales outputs.

Today, consumers often use multiple channels to conduct their business and having 'fit for purpose' channels that match consumer choice are critical to on-going success. The speed of adoption of digital technologies is rapidly changing consumer behaviour and organisations are having to respond accordingly. The Society will focus on how our members wish to consume our goods, services and information and this customer experience will drive its distribution strategy.

In order to support the core lending strategy, the marketing, branches and agencies, direct sales and intermediaries, online and digital capabilities will be developed over the life of the plan to enhance the service to members in line with the development of infrastructure included within the Society's strategy.

Funding

MBS is, and will remain, predominantly retail funded via a range of fixed and variable rate savings and ISA products that are offered to retail customers. Retail funding products are offered through the branch and agency network and online via the website. The Society attracts funding by offering attractive rates and terms to customers.

Group income and expenditure account	2017 £000	2016 £000
Net interest receivable	15,362	15,116
Other income and charges: Continuing operations	69	687
Administrative expenses: Continuing operations	(9,898)	(7,960)
Provisions excluding FSCS levy	193	255
FSCS levy	15	(166)
Profit on ordinary activities before tax	5,741	7,932
Taxation	(1,176)	(1,557)
Profit for the year after tax	4,565	6,375

Group Financial Position at end of year	2017 £000	2016 £000
Assets		
Liquid assets	232,825	257,925
Mortgages	811,268	806,152
Fixed and other assets	9,735	9,402
Total assets	1,053,828	1,073,479
Liabilities		
Shares	816,089	863,611
Borrowings	170,448	145,959
Other liabilities	6,041	6,735
Reserves	61,250	57,174
Total liabilities	1,053,828	1,073,479

Summary of Financial Ratios	2017 %	2016 %
Gross capital as a percentage of shares and borrowings	6.21	5.66
Liquid assets as a percentage of shares and borrowings	23.60	25.55
Profit for the year as a percentage of mean total assets	0.43	0.60
Management expenses as a percentage of mean total assets	0.93	0.75

Gross capital as a percentage of shares and borrowings

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

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

Liquid assets as a percentage of shares and borrowings

The liquid assets ratio measures the proportion of the Group's assets held in the form of cash, short-term deposits and government securities bears to the Group's liabilities to investors.

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

Profit for the year as a percentage of mean total assets

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

The Group needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors. However, a building society does not have to pay dividends to equity shareholders as a company does. The Society is therefore able to operate safely with lower profits than a bank and can generally provide better mortgage and savings rates.

Management expenses as a percentage of mean total assets

The management expenses ratio measures the proportion that the Group's administrative expenses bears to the average of the Group's total assets during the year.

Management expenses consist mainly of the costs of employing staff and of running the Society's branches, other office costs, advertising etc. Expenses need to be controlled so that the Group operates as efficiently as possible while providing the service that members require.

Approved by the Board of Directors on 17 July 2017.



H Warman
Chairman



W J Carroll
Finance Director



A D Morgan
Director

Independent Auditor's Report

We have examined the summary financial statement for the year ended 30 April 2017 which comprises the Summary Group Results, Financial Position and Summary of Financial Ratios together with the Summary Directors' Report.

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

Respective responsibilities of directors and auditor

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

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

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

We conducted our work in accordance with Bulletin 2008/3 "The auditor's statement on the summary financial statement in the United Kingdom" issued by the Auditing Practices Board. Our report on the Group and Society's full Annual Accounts describes the basis of our audit opinions on those financial statements.

Opinion

In our opinion the summary financial statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of Monmouthshire Building Society for the year ended 30 April 2017 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Kieren Cooper, Deloitte LLP

Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
17 July 2017

Directors' Remuneration Report

On behalf of the Board, I am pleased to present the Remuneration Committee's 2016/17 Report which sets out our Remuneration Policy and provides for our members details of the basic salary, variable pay and benefits earned by directors in the year to 30 April 2017. The Board is committed to best practice in its remuneration policy for directors and in the interests of transparency it has included an advisory vote at the Annual General Meeting on the Directors' Remuneration Report set out below. The directors' remuneration for the year is as follows:

	Fees & salary	Performance related incentive scheme	Increase in accrued pension/pension contribution	Taxable benefits	2017 Total	2016 Total
2017	£000	£000	£000	£000	£000	£000
Non-Executive Directors:						
H Warman [^]	55	-	-	-	55	48
P Sheppard	-	-	-	-	-	9
D J Burgess	9	-	-	-	9	29
N Hingorani-Crain	30	-	-	-	30	23
D R Lewis	37	-	-	-	37	32
A D Morgan	38	-	-	-	38	32
D C Roberts	8	-	-	-	8	27
R D Turner	33	-	-	-	33	20
T Barratt (Appointed 13 July 2016)	26	-	-	-	26	-
S Nowell	-	-	-	-	-	2
Executive Directors:						
A M Lewis (resigned 18 November 2016)*	230	11	-	1	242	218
J Bawa (appointed 18 November 2016)	100	12	12	1	125	-
P Leader	99	30	2	7	138	113
W J Carroll	120	35	18	5	178	128
	785	88	32	14	919	680

[^] H Warman's salary included a £7,500 payment in respect of additional work required to be performed during the year.

* A M Lewis stepped down as a Director following his retirement on 18 November 2016. The amount shown above includes £130,597 of contractual payments following his retirement.

A M Lewis was a member of and P Leader remains a member of the Society's defined benefit pension scheme. J Bawa and W J Carroll are members of the Society's defined contribution pension scheme.

Directors' Remuneration Report (continued)**Loans to Directors**

At 30 April 2017, one director (2016: two directors) or persons connected with directors had mortgage loans granted in the ordinary course of business totalling £223K (2016: £407K). A register containing details of loans and transactions between the Society and its directors may be inspected at the Society's Head Office, during normal office hours, in the period of fifteen days expiring on the date of the Annual General Meeting, or at that meeting.

Executive Directors' Emoluments

The level of remuneration for executive directors' is reviewed and set each year. The Society's remuneration policy is to reward executive directors through salaries and other benefits, including an incentive scheme designed to recognise the achievement of corporate objectives. This policy is regularly compared with the policies for executive directors' remuneration and benefits for jobs carrying similar responsibilities in comparable organisations. Rewards are principally in two parts, being basic salary and an annual incentive payment. Payments made as a result of the annual incentive scheme are not pensionable.

The Society has no share option scheme and none of the directors has any beneficial interest in, or any rights to subscribe for, shares in or debentures of any connected undertaking of the Society. Basic salaries are normally reviewed annually by reference to performance, jobs carrying similar responsibilities in comparable financial organisations and in the light of market conditions generally.

For the year to 30 April 2017, the scheme was designed to deliver a maximum award of 35% of basic salary, following finalisation and approval of the Accounts. The annual incentive scheme is linked to key corporate performance measures, such as peer group comparison and the achievement of financial or regulatory compliance targets (e.g. in relation to growth and efficiency).

Executive directors are contributory members of the Society pension schemes. Executive directors are eligible to receive other optional taxable benefits including a car and healthcare provision. They are also eligible to receive concessionary mortgage facilities on terms which are available to all staff.

The Corporate Governance Code recommends that an executive director's service contract notice period should be set at twelve months or less. The Society meets this requirement. The executive directors are subject to a notice period of six months with the exception of the Chief Executive officer who is currently working through his probationary period.

Non-Executive Directors' Remuneration

The level of fees for non-executive directors are determined each year by the executive directors and the Chairman. The Chairman's remuneration is determined by the Committee in the absence of the Chairman. Additional fees are paid to the Risk, Remuneration and Audit Committee Chairmen to reflect their increased responsibility. The level of fees is regularly compared with fees for non-executive directors' remuneration in comparable organisations.

There are no bonus schemes or other benefits for non-executive directors and they are not entitled to any pension. They are subject to written terms and conditions of employment and to re-election every three years in line with the Society Rules. After nine years they are subject to annual re-election in line with best corporate governance practice.


Roger Turner

Remuneration Committee Chairman
17 July 2017

Board of Directors and officers

Chairman	H Warman LLB (Hons)
Vice Chairman	A D Morgan BSc (Hons) FCA
Non-Executive Director	D R Lewis LLB (Hons) FCA
Non-Executive Director	T Barratt MBA, FT Post Dip NED, ICA Post Dip AML, Post Dip Fin, Dip FS, ACIB
Chief Executive	J Bawa (ACII)
Finance & Change Director	W J Carroll BSc (Hons) FCA
Non-Executive Director	N Hingorani-Crain LLB (Hons), Maitre en Droit (Sorbonne), ACA
Corporate Governance Director & Secretary	P Leader BSc (Hons)
Non-Executive Director	R D Turner B.A.(Hons.), M.B.A
Head of Risk & Compliance	D Mollison BA (Hons) SIRM

Our Values

PERSONAL SERVICE

We commit to consistently providing services which are more friendly, personal, efficient and flexible than those of our main competitors.



COMPETITIVE PRODUCTS

We listen to our customers and ensure that, in a fast changing world, our products and services continue to match their requirements.



FINANCIAL SECURITY

We ensure that the financial strength and security built up over many years are maintained for the long-term benefit of present and future members.



COMMUNITY SUPPORT

We recognise as a mutual organisation the benefits of actively supporting the local communities in which we operate.



FAIR TREATMENT

We strive to treat all customers fairly, balancing the interests of investing and borrowing customers as equitably as possible within the framework of market forces.



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monmouthshire
building society

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Monmouthshire Building Society is authorised by the Prudential Regulation Authority, and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register Number: 206052