Summary Financial Statement

for the Year Ended 30 April 2019

Summary Directors' Report

The Directors have pleasure in presenting the Summary Financial Statement of the Group for the year ended 30 April 2019. 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 and on the Society's website at www.monbs.com from 6 August 2019

2019 Highlights

Results	2019	2018	2017	2016	2015
Growth					
Total assets (£ millions)	1,109.0	1,059.1	1,053.8	1,073.5	1,047.9
Total Mortgage Assets (£ millions)	934.5	842.2	811.3	806.2	802.1
Lending					
Gross new Lending (£ millions)	233.0	185.5	141.2	139.1	181.4
Net Lending (£ millions)	92.3	31.0	5.2	4.0	65.5
Net Interest Margin %	1.39	1.51	1.45	1.45	1.38
Capital					
Capital ratio (% Risk Weighted Assets)	16.19	16.88	16.11	14.72	13.45
Profitability					
Profit after tax (£ millions)	0.9	3.2	4.6	6.4	4.7
Profit after tax ratio (% mean total assets)	0.08	0.30	0.43	0.60	0.47
Management expenses ratio (% mean total assets)	1.17	1.16	0.93	0.75	0.67
Cost income ratio (%) Pre-Impairment of Fixed Assets	84.71	73.68	64.14	50.37	50.00
Cost income ratio (%) Post-Impairment of Fixed Assets	90.26	-	-	-	-

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. It has a proud mutual heritage, playing an important part in our communities.

Our purpose

Helping members, communities and colleagues to thrive.

Our vision

To build a unique and exciting Society by inspiring and empowering our colleagues to maximise growth and future prosperity.

We aim to deliver an ambitious strategy underpinned with member led propositions. Our profitability will be optimised rather than maximised to support investment in new initiatives that are innovative and exciting, helping delivery of the modern mutual the Society will become.

Our distinctiveness

The foundations for providing a distinctive customer proposition are:

- our strong regional brand;
- our member-focused 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. Our values are at the forefront of everything we do:

Dynamic - We are modern in our approach which means that we are responsive and agile;
Community - We are local, with feeling. We are invested in our regions, and welcome members to our branches with open arms;
Personal - We treat our members differently. We understand that each one has a different story, a different journey and different needs;
Quality - We are professional in our approach, with an eye for detail and a conscientious spirit. Members can expect responsible and reliable advice; brokers can expect a responsive and flexible service, focused on their needs.

Our competitive strengths

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

- personal service is key to our success. It differentiates us from our competitors, is what our brand represents and results in high levels of customer satisfaction and trust of our members;
- strong balance sheet and operating capacity for growth on a meaningful scale;
- the enthusiasm and knowledge of the Society's colleagues; and,
- the Society's Branch and Agency network, which is largely located in the Society's core operating area and forms a key part of those communities in which the Society operates.

Our strategy

Our strategy highlights the Board's commitment to achieve long term sustainable growth and its vision of becoming the modern mutual, underpinned by several key, member-led, strategic priorities and initiatives.

Significant successes have already been achieved over the last two years as the Society has invested in its people, processes and infrastructure. This has driven mortgage growth, exceeding our budgeted targets.

Key highlights and successes can be summarised as:

- a vibrant new brand, which has successfully modernised the Society's image and supported an increasing profile of the organisation amongst key stakeholders;
- new member products and propositions;
- improving distribution channels;
- significant investment in infrastructure, including:
    - appointment of key personnel at Executive and Senior Management level;
    - development of the Society's IT Capabilities;
    - embedding the Society's Risk Management Framework;
    - moving to the Extended Approach for Treasury Risk Management;
    - organisational redesign of the first and second lines including the establishment of Business Change, Continuous Improvement and Business Intelligence; and,
    - enhanced Operational and Technical Resilience.
- improvements to culture and colleague engagement.

Approach

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.

The Society's strategy is proposition led, finding solutions to our members' problems and issues. This will enable the Society to grow the business and its membership.

Lending

The Society has delivered a number of key lending propositions that were planned in the first two years of its strategy and has now reprioritised those remaining and considered several additional possibilities.

Our intention is to deliver propositions that meet members' needs and secure targeted levels of growth for the business. We will:

- continue to offer low rates and compete on price for our core residential products;

- serve our broader community base by offering a wider selection of other lending products, directed at first time buyers, energy efficient mortgages, members requiring lending into later life and buy-to-let products;
- focus on delivering the highest quality service to our members and intermediaries; and,
- continue to minimise, as far as possible, the high levels of redemptions that have been experienced in recent years.

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

Funding

The Society is, and will remain, predominantly retail funded via a range of savings and ISA products that are offered to retail customers. To ensure we grow our membership, we will deliver a range of more innovative saving solutions that are attractive and secure loyalty. We will:

- offer competitive savings rates that will help us engage with different demographic groups, reflecting our brand values;
- focus on delivering the highest quality service to our saving members and retail depositors; and
- supplement our retail funding through the access to wholesale funding markets and Bank of England secured funding.

Development of infrastructure

The Board recognises the need to continue to enhance the Society's operating infrastructure to ensure operational resilience and an appropriate platform from which to grow and successfully compete in the digital age. The Society will use sustainable technology to improve services and drive efficiencies, supporting the long-term growth of the business and the ability to complete in the marketplace. Other key changes to infrastructure relate to:

People

There has been significant investment in developing and sustaining our 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

The Society has already committed significant resources to improve its IT infrastructure and cyber defences across all key areas of the business. Efforts will continue to be made to review processes and increase operational efficiency in all areas through a culture of continuous improvement to drive maximum value for our members and enhance the Society's core competences.

Premises

Continued investment in our property portfolio 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. This is highlighted by the proposed move of the Society's Head Office in Newport.

Distribution

The Society will distribute its member led products and services via a customer centric multi-channel distribution model. To deliver a multi-channel experience, the Society will continue to invest in technology, find new and innovative ways to enter the digital market, extend its direct to customer offering and extend our partnerships with key broker networks.

By delivering our agreed strategy, the Society will develop a sustainable, scalable business model that is fit for the future. Our plan is not to be regarded as 'set in stone' or allowed to inhibit initiative or innovation. This is extremely important in the fast moving operating environment of today. Given the pace of change, it is not possible to predict today every solution that may be required to enable successful delivery of the plan in the later years. It is therefore our intention to regularly review and if necessary make changes to our plan as part of an ongoing process in line with the Society's risk appetite, broader risk capabilities and underlying control environment. The principal risks of the Society can be found in the Risk Management Section in the full Annual Report and Accounts.

Debra Lewis
Chair
17 July 2019

Group income and expenditure account	2019 £000	2018 £000
Net interest receivable	15,020	15,914
Other income and charges	(88)	768
Administrative expenses	(12,649)	(12,290)
Impairment of fixed assets	(829)	-
Loan loss provisions	(159)	(399)
Other provisions	(52)	(31)
Profit on ordinary activities before tax	1,243	3,962
Taxation	(323)	(763)
Profit for the year after tax	920	3,199

Group Financial Position at the year end	2019 £000	2018 £000
Assets		
Liquid assets	165,016	205,089
Mortgages	934,466	842,167
Fixed and other assets	9,536	11,795
Total assets	1,109,018	1,059,051
Liabilities		
Shares	817,942	770,091
Borrowings	221,349	220,875
Other liabilities	4,725	3,397
Reserves	65,002	64,688
Total liabilities	1,109,018	1,059,051

Summary of Financial Ratios	2019 %	2018 %
Gross capital as a percentage of shares and borrowings	6.25	6.53
Liquid assets as a percentage of shares and borrowings	15.88	20.70
Profit for the year as a percentage of mean total assets	0.08	0.30
Management expenses as a percentage of mean total assets	1.17	1.16

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 to the Group's liabilities to investors.

Most of the Group'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.

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 and other office costs such as advertising. 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 2019.

Debra Lewis

William Carroll

Iwan Jones

Independent Auditor's Report

Independent auditor's statement to the members and depositors of Monmouthshire Building Society

Opinion

We have examined the summary financial statement of Monmouthshire Building Society ('the Society') for the year ended 30 April 2019.

On the basis of the work performed, as described below, in our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 30 April 2019 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for opinion

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 30 April 2019, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 30 April 2019.

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

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

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

Simon Clark
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
Birmingham
17 July 2019

Directors' Remuneration Report

On behalf of the Board, I am pleased to present the Remuneration Committee's 2018/19 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 2019. 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	2019 Total	2018 Total
	£000	£000	£000	£000	£000	£000
Non-Executive Directors:						
D R Lewis	57	-	-	-	57	39
T Barratt	38	-	-	-	38	31
N Hingorani-Crain	33	-	-	-	33	31
L McKenzie	25	-	-	-	25	-
A D Morgan	41	-	-	-	41	39
R D Turner	34	-	-	-	34	35
H Warman (Retired 12.04.2018)	-	-	-	-	-	70
Executive Directors:						
W J Carroll	201	26	30	9	266	249
D M Gunter (Appointed 08.03.2018)	160	20	23	-	203	38
I J Jones (Appointed 01.04.2018)	150	20	23	18	211	16
J Bawa (Resigned 31.07.2017)	-	-	-	-	-	178
P Leader (Resigned 19.02.2018)	-	-	-	-	-	91
	739	**66**	**76**	**27**	**908**	**817**

Loans to directors

At 30 April 2019, 1 director (2018: 1 director) or persons connected with directors had mortgage loans granted in the ordinary course of business totaling £209k (2018: £217k). 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 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. Reward packages include basic salary, an annual incentive payment, benefits in kind and pensions. Payments made as a result of the annual incentive scheme are not pensionable.

Basic Salaries

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.

Incentive Scheme

For the year to 30 April 2019, the scheme was designed to deliver a maximum award of up to 20% of basic salary, following finalisation and approval of the accounts. The annual incentive scheme is linked to key corporate performance measures such as the achievement of financial or regulatory compliance targets (e.g. in relation to growth and efficiency), combined with demonstration of appropriate behaviours in line with the Society's performance management process.

Pensions and other Benefits

Executive directors are contributory members of the Society Stakeholder pension scheme. 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 UK 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 Chief Executive Officer is subject to a notice period of twelve months. Other executive directors are subject to a notice period of six months.

Non-Executive Directors' Remuneration

The fees for Non-Executive Directors were determined by the executive directors and the Chair. The Chair's remuneration is determined by the Committee in the absence of the Chair. Additional fees are paid to the Vice Chairman, Senior Independent Director and the Risk, Remuneration and Audit Committee Chairman 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 2019

Board of Directors and officers

Chair	D R Lewis LLB (Hons), FCA
Vice Chairman	A D Morgan BSc (Hons), FCA
Senior Independent Director	N Hingorani-Crain LLB (Hons), Maitrise en Droit (Sorbonne), ACA
Non-Executive Director	T Barratt MBA, FT Post Dip NED, ICA Post Dip AML, Post Dip Fin, Dip FS, ACIB
Non-Executive Director	L McKenzie BEng (Hons)
Non-Executive Director	R D Turner BA(Hons), MBA
Chief Executive Officer	W J Carroll BSc (Hons), MSc, FCA
Chief Operating Officer	D M Gunter
Finance Director	I J Jones BSc Econ (Hons), ACA
Head of Risk & Compliance	D Mollison BA (Hons), SIRM
Head of People & Culture	L Burgess MSc, MCIPD