Summary Financial Statement

for the Year Ended 30 April 2020

Summary Directors' Report

The Directors have pleasure in presenting the Summary Financial Statement of the Group for the year ended 30 April 2020. 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 12th August 2020.

2020 Highlights

Results	2020	2019 Restated*	2018 Restated*
Growth			
Total Assets (£ millions)	**1,247.1**	**1,109.0**	**1,059.1**
Total Mortgage Assets (£ millions)	**1,026.7**	**934.5**	**842.2**
Lending			
Gross new lending (£ millions)	252.0	233.0	185.5
Net lending (£ millions)	92.2	92.3	31.0
Net Interest Margin %	1.10	1.39	1.51
Capital			
Capital ratio (% Risk Weighted Assets)	13.81	15.77*	16.70*
Profitability			
Underlying profit before tax (£ millions)**	0.2	1.4	3.2
(Loss)/Profit after tax (£ millions)	(1.0)	0.9	3.2
(Loss)/Profit after tax ratio (% mean total assets)	(0.08)	0.08	0.30
Management expenses ratio (% mean total assets)	1.02	1.17	1.16
Cost income ratio (%) Pre-Impairment of Fixed Assets	103.83	84.71	73.68
Cost income ratio (%) Post-Impairment of Fixed Assets	103.83	90.26	73.68

* 2018 and 2019 have been restated to account for a prior period issue relating to the defined benefit pension scheme. Given that the impact of the issue occurred in prior accounting periods, the amount of the correction as at 1 May 2018 was to increase the pension scheme liability by £1,129k and increase the deferred tax asset associated with that liability by £215k with the corresponding net £914k decreasing reserves. A further £106k pension scheme liability increase in 2018/19 resulting from the same issue causes a total reduction in 2019/20 brought forward reserves of £1,020k.

**Underlying profit before tax is profit before tax excluding fair value movements resulting from hedge accounting. The Society uses derivative instruments (swaps) to hedge interest rate risk arising from fixed rate mortgages. These swaps are intended to be held to maturity. As such, any gains or losses arising from fair value movements are timing differences which do not affect underlying cash flows. As a result, they are excluded from the Society's underlying profit or loss.

The financial year was mostly one of celebration as the Society continued to evolve, adapt and grow beyond its 150th year in line with its vision of becoming the modern mutual. However, the year ended with great uncertainty and sadness, as the coronavirus pandemic struck globally. As the country deals with the impact of the pandemic and UK lockdown, there has been a material shift in activity at the Society, with emphasis and focus on short-term business resilience and continuity of service to our members, whilst protecting the health and wellbeing of our members and colleagues. This includes significant action taken to ensure that our loyal borrowing members were not at risk of losing their home because of COVID-19. Businesses and households must now consider what will be a dramatically different outlook than before the pandemic struck. Monmouthshire Building Society remains committed to supporting its colleagues, members and communities through the crisis. While it is essential that the impact of the pandemic is managed in the short-term, by maintaining focus on the long-term the Board will seek to ensure that the Society will continue to grow and prosper into the future, providing long-term sustainability.

During the year, we have delivered further improvements to our business in a period characterised by economic and political uncertainty, which had started to ease following the general election in December 2019 and the clear Conservative majority that was delivered. This was followed by the UK officially ceasing its EU membership and entering the transitional arrangements period on 31 January 2020. In March 2020 however, the coronavirus pandemic struck in the UK. Latest economic predictions are wide and varied. However, all predict a significant contraction of the UK and global economies, followed by recovery in 2021 onwards.

Despite the macroeconomic downturn caused by the coronavirus pandemic, the Society's position remains robust, reflecting the Society's strong balance sheet and capital position built up over many years. The Board retains the view that the Society remains a relevant, viable, standalone institution for the duration of the strategic planning period and beyond.

As would be expected, the Society's annual results have been adversely affected by the pandemic. However, in the first eleven months of the year mortgage lending performance was strong, exceeding market levels of growth as our focus on providing excellent value to our borrowing and savings members continued. Total mortgage loans outstanding increased by 9% in the year, the Society exceeding the milestone of £1 billion mortgage assets in the period. A net retail funding inflow of £108 million was deposited at the Society in the year, reflecting the value, range and competitiveness of the savings products the Society has on offer. This has contributed to a growth in total assets of 12% for the year. Underlying profitability for the year showed a reduction on the prior year. This is the result of margin squeeze in a competitive environment combined with increased charges resulting from the cost of the pandemic, partially offset by lower administrative costs and the absence of impairment charges in relation to the head office building as experienced in the prior year. Reductions in net interest margin arising from the highly competitive, low interest rate environment in which the Society operates were offset by management of the Society's administration costs, as the strategy of gaining efficiency through growth continued to gather momentum.

Our current strategy addresses the key strategic risks to the Society of long-term sustainability and risk of obsolescence. Our healthy balance sheet and strong capital position provides the Society with the opportunity to grow and prosper into the future. However, the pace of asset growth will slow significantly when compared to previous forecasts until a return to a more normal operating environment is evident.

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;
- 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.

Over the last three years significant successes have already been achieved as the Society has invested in its people, processes and infrastructure. This has driven strong levels of mortgage growth.

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 to 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.

Investment in infrastructure continues, which is seen as critical to the long-term success and relevance of the Society. Investment to date allowed the Society to respond swiftly and effectively to the lockdown from the COVID-19 outbreak and the Society remained resilient and able to continue to serve the needs of members during this time.

In last year's annual report we spoke about the decision to move from our existing Head Office premises in Newport to a new premises within the city, more conducive to modern ways of working. This move is currently on hold. The changes to all aspects of the way in which we live following the coronavirus outbreak has led to the requirement to review the Society's strategy. While we must monitor potential downsides of the crisis carefully, there is the potential for opportunities to arise from the current situation which could benefit the Society, in both its internal and external environments.

The response to the coronavirus pandemic by all, at a time of great uncertainty and vulnerability in all colleagues' personal and professional lives, highlights the culture and core values of our organisation. I would like to record my thanks to the Board, the management team and all colleagues at the Society for their continued commitment, enthusiasm and dedication in ensuring Monmouthshire Building Society remains successful. I would also like to say thank you to you, our members for your support, understanding and patience at this difficult time.

Debra Lewis
Chair
24th July 2020

Group income and expenditure account	2020 £000	2019 £000
Net interest receivable	12,956	15,020
Other income and charges	6	44
Administrative expenses	(11,994)	(12,649)
Impairment of fixed assets	-	(829)
Loan loss provisions	(703)	(159)
Other provisions	(51)	(52)
Other fair value losses	(1,410)	(132)
(Loss)/Profit before tax	(1,196)	1,243
Taxation credit/(charge)	199	(323)
(Loss)/Profit for the year after tax	(997)	920

Group Financial Position at the year end	2020 £000	2019 restated £000
Assets		
Liquid assets	210,022	165,016
Mortgages	1,026,679	934,466
Fixed and other assets	10,395	9,536
Total assets	1,247,096	1,109,018
Liabilities		
Shares	883,355	817,942
Borrowings	285,887	221,349
Other liabilities	16,083	5,745*
Reserves	61,771	63,982*
Total liabilities	1,247,096	1,109,018

Summary of Financial Ratios	2020 %	2019 %
Gross capital as a percentage of shares and borrowings	5.28	6.16*
Liquid assets as a percentage of shares and borrowings	17.96	15.88
(Loss)/Profit for the year as a percentage of mean total assets	(0.08)	0.08
Management expenses as a percentage of mean total assets	1.02	1.17

*2019 other liabilities and reserves have been restated to correct a historical error relating to the pension scheme liability. Given that the impact of the issue occurred in prior accounting periods, the amount of the correction as at 1 May 2018 was to increase the pension scheme liability by £1,129k and increase the deferred tax asset associated with that liability by £215k with the corresponding net £914k decreasing reserves. A further £106k pension scheme liability increase in 2018/19 resulting from the same issue causes a total reduction in 2019/20 brought forward reserves of £1,020k.

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 to 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 24th July 2020.

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 2020.

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 2020 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 2020, 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 2020.

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
24th July 2020

Directors' Remuneration Report

On behalf of the Board, I am pleased to present the Remuneration Committee's 2019/20 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 2020. 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:

2020	Fees & salary	Performance related incentive scheme	Pension contributions	Taxable benefits	2020 Total	2019 Total
	£000	£000	£000	£000	£000	£000
Non-Executive Directors:						
D R Lewis	57	-	-	-	57	57
T Barratt	39	-	-	5	44	38
N Hingorani-Crain	33	-	-	-	33	33
L McKenzie	31	-	-	4	35	25
A D Morgan	39	-	-	1	40	41
R D Turner	35	-	-	6	41	34
Executive Directors:						
W J Carroll	205	-	31	10	246	266
D M Gunter	163	-	22	1	186	203
I J Jones	153	-	23	19	195	211
Total	**755**	**-**	**76**	**46**	**877**	**908**

Loans to directors

At 30 April 2020, 1 Director (2019: 1 Director) or persons connected with Directors had mortgage loans granted in the ordinary course of business totaling £202k (2018: £209k). 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 2020, 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. No payments were made in 2020 because minimum profit targets were not achieved.

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 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 Senior Independent Director and 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 is no bonus scheme 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.

Roger Turner

Remuneration Committee Chair for the year ended 30 April 2020

24th July 2020

Board of Directors and officers

Chair	D R Lewis LLB (Hons) FCA
Senior Independent Director	N Hingorani-Crain LLB (Hons), Maitre 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	A D Morgan BSc (Hons) FCA
Non-Executive Director	R D Turner BA(Hons), MBA
Chief Executive Officer	W J Carroll BSc (Hons) FCA
Chief Operating Officer	D Gunter
Finance Director	I Jones BSc Econ (Hons) ACA
Chief Risk Officer	D Mollison BA (Hons) SIRM
Head of People & Culture	L Burgess MSc, MCIPD