Member-led, helping members, communities and colleagues to thrive

Annual Report & Accounts

Year ended 30th April 2022

2022

Monmouthshire
Building Society

Monmouthshire Building Society

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Established 1869. Registered No 377B
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Monmouthshire Building Society

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2022 Highlights

Results	2022	2021
Growth		
Total Assets (£ millions)	**1,488.2**	**1,385.5**
Total Mortgage Assets (£ millions)	**1,201.9**	**1,136.2**
Lending		
Gross New Lending (£ millions)	247.8	374.3
Net Lending (£ millions)	88.5	109.5
Net Interest Margin %	1.40	1.13
Capital		
Capital Ratio* (% Risk Weighted Assets)	14.16	13.28
Profitability		
Profit After Tax (£ millions)	7.78	1.57
Profit After Tax Ratio (% mean total assets)	0.54	0.12
Management Expenses Ratio (% mean total assets)	1.10	0.97
Cost Income Ratio (%) Pre-Fair Value gains	77.74	86.37
Cost Income Ratio (%) Post-Fair Value gains	63.68	83.07

Total Assets
£1,488 million

Contributed over
£12k to Charity of the Year

Customer Satisfaction
94%

Common Equity Tier 1 ratio
14.08%

Profit after Tax
£7.78 million

Underlying Profit before Tax**
£5.16 million

*Capital ratio consists of statutory capital (total reserves) plus general impairment provisions less intangible assets. General impairment provisions are treated as common equity type 2 capital resource and therefore are removed from the CET1 ratio.
** Underlying profit before tax is profit before tax excluding fair value movements resulting from hedge accounting, this is an alternative performance measure not required by UK GAAP. 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 before tax.

Chair's Review

In my final report as Chair of the Society I am pleased to report that your Society has continued to perform strongly, our member-led focus and core purpose of 'helping members, communities and colleagues to thrive', has led to continued balance sheet growth and improved profitability.

Implementation of our strategy during uncertain times

The year has been one of continued uncertainty, as the ongoing impact of the COVID-19 pandemic has persisted, significant inflationary pressures have emerged and the tragic events in Ukraine have unfolded. We embarked upon a new strategy from 1st May 2021 and have had some early successes in its implementation, further detail can be found within the Strategic Report.

A clear focus on our members

In a buoyant mortgage market with strong house price increases across England and Wales, the Society has continued to grow through the delivery of our lending strategy. Our core residential mortgage lending has been supported by a range of other mortgage products including Buy-to-Let, Holiday Let and the refreshed strategic focus on the commercial lending market. Mortgage book growth of 6% to £1.2bn (2021: 11%, £1.14bn) was achieved during the year. We also supported 1,107 members affected by the pandemic through mortgage payment holidays. Whilst all borrowers had returned to normal mortgage repayments by the year end, we will continue to monitor the impact on our members of rising inflation and respond with appropriate service and financial provisions.

We have kept all of our branches open throughout the pandemic and plan to increase our branch footprint over the coming years, alongside the development of our digital capabilities. We are looking forward to opening a new flagship branch and administration hub in the centre of Cardiff in 2022, building on the success of our Brecon branch that was opened in 2021.

During the year, funding from retail and other deposit sources increased as the Society sought to protect its existing retail deposit base in a market where savings rates were at all-time lows. The Society has attracted £101m (2021: £139m) in new shares and deposits from its loyal members and other customers. Following recent bank base rate increases, we have increased savings rates across the range, including our back book and will seek to continue to ensure we balance our mutual interests if the Bank of England decides to raise rates further in the coming months.

Communities

Our focus on environmental, social and governance initiatives has created significant engagement, supporting the Society's overarching strategic purpose. Our Branching into Communities' programme has been a huge success, with financial support to grass roots organisations, a relaunch of the Society's charitable foundation and colleagues donating their time to support the communities in which they live and that they are passionate about.

In December 2021, we were delighted to announce that the Society is working with Welsh Government to develop the aspiration of the Banc Cambria community banking model across Wales, building further on the Society's vision of becoming a modern mutual and supporting the communities of Wales.

And our colleagues

One of the biggest changes that has emerged from working through the pandemic is the way in which we work and how organisations adapt and respond to colleagues who are re-evaluating the future of work, with a hybrid, inclusive work-life balance that improves well-being.

The Society has launched an agile working strategy, providing equipment to support remote working and reconsidering its office working environment to ensure that we can improve collaboration and provide facilities that are conducive to the modern mutual we aspire to be.

We continue to place focus on colleague attraction, retention and development through our people strategy in a challenging market. During

Chair's Review (cont)

the year we have launched an apprenticeship scheme, a colleague recognition scheme and a number of talent development schemes.

Supporting the transition to a greener future

The Society has taken several actions in relation to climate change risks, engaging in policy development and leading the way in providing tools that support our members to identify and take action in their properties. We have our own responsibility to the environment as a business and have assessed our impact on the environment and actions that the Society needs to take to become a net zero organisation.

More detail on our strategy implementation is included within the Strategic Report on **page 4**.

"The Society has continued to perform strongly, leading to balance sheet growth and profitability"

Strong financial performance

The Society's financial performance in the year has been strong, with profitability increasing, as net interest margins have continued to improve, coupled with favourable fair value movements in the Society's derivatives as bank base rate has increased. This has strengthened our capital position.

Our net interest margin increased to 1.40% (2021: 1.13%), reflecting both a reduction in funding costs and an increase in the average yield on mortgage lending, which has been seen across the industry. Our statutory profit before tax was £9.6m (2021: £1.9m) leading to an overall increase in the Society's capital ratio to 14.16% of Risk Weighted Assets (2021: 13.28%).

Our Board

Colin Brereton was appointed to the Board in March 2022. Colin is a member of the Audit Committee and brings over 38 years of leadership and advisory experience in professional services, including an impressive career with PwC until 2018, and several Non-Executive roles in the world of financial services. He will be up for election at our AGM on August 24th 2022.

There will be another change to the membership of the Board following the AGM as I will be retiring at the meeting. I have been a Board member at the Society for eight years following my appointment in September 2014, the last four as your Chair. Despite the challenges that we have all faced over the past two years, Monmouthshire Building Society has continued to grow and evolve as a business. It is a very different business to the one that I joined in 2014 and I am delighted to have led the Society through a significant period of change and transformation.

I will be succeeded as Chair by Roger Turner, who has been on the Board for seven years and who will continue to lead the Society's development of a long term, sustainable organisation. He has enthusiasm and desire to build on the Society's strong foundations, maintaining a firm focus on the Society's membership.

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 unwavering support, understanding and patience through some difficult times.

Debra Lewis
Chair
15th July 2022

Strategic Report

The COVID-19 pandemic has remained with us throughout the past year, and while at the time of writing restrictions across the country have been lifted allowing a return to 'normal', the long-term impacts will be felt for years to come. Russian aggression in Ukraine has served to dampen anticipated economic recovery and contributed to already significant inflationary pressures the likes of which haven't been seen in decades, driven by significant increases in energy prices. Rate changes have been implemented by the Bank of England in efforts to address inflation, with the bank base rate standing at 1% in May 2022 The Bank of England has forecast that the economy will shrink by 0.25% next year and rise 0.25% in 2024 as household spending is squeezed by higher inflation, a rising tax burden and higher unemployment.

However, despite rising interest rates starting to push up the cost of mortgage finance, the housing market remains buoyant, with prices rising as demand outstrips supply, particularly in Wales, the Society's core operating region, where prices rose by 16.2% in the year under review (2021: 15.6%).

Moving Forward with Purpose

I am delighted to report that the Society has had another successful year, responding effectively to the challenges we've faced to make strides in delivering our ambitious strategy. This continues to focus on the Society's core purpose, building on the significant investment in our business over recent years, which will look to move the Society forward, delivering propositions that are member-led, ensuring a successful long-term sustainable future for the Society.

The Strategic Report seeks to provide a fair, balanced and understandable review of the Society's business model and strategy, supplementing the Chair's Review.

Strategic Report

Our Purpose:

"Helping members, communities and colleagues to thrive today and tomorrow"

The Society was founded as a mutual building society over 150 years ago, building solutions that meet our members' needs. We don't have shareholders to satisfy, so we are free to re-invest profit back into the Society to benefit current and future members.

That's what being mutual is all about.

Our vision is to build an innovative, exciting modern mutual. In support of its core purpose, the Society embraces its responsibility to help address some of the social, economic and environmental challenges its members, communities and colleagues face, by operating responsibly and delivering a Society for its members that is sustainable and accessible to all.

Our Business Model

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

We source funding from:

- Our members' savings

We lend to:

- First time buyers
- Movers & those looking to re-mortgage
- Commercial and property development

We earn income through:

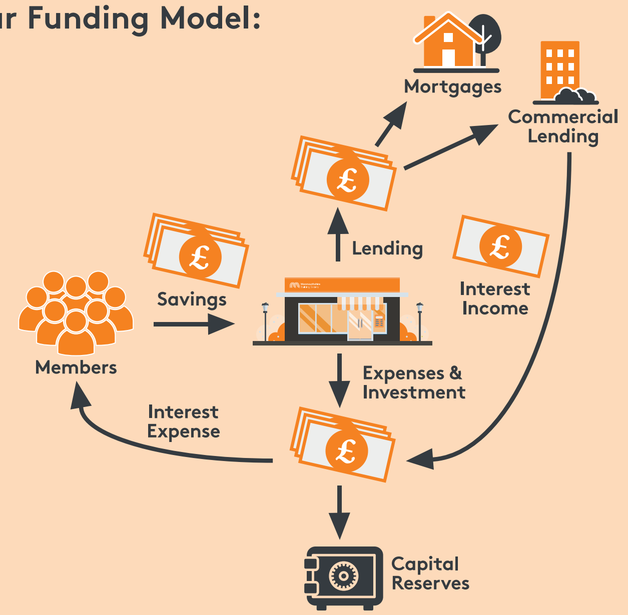
- The interest earned through our lending and investment activities
- Less the interest paid to our members and other creditors

We use our income to:

- Invest to continuously improve our services to our members
- Invest in our colleagues
- Meet our operating costs

Residual income remaining at the end of the year is added to our capital reserves, allowing us to grow and support members now and into the future.

Our Funding Model:



Our Products

We operate a simple business model – we provide savings and mortgage products which offer good long-term value and are easy to understand. We pride ourselves on creating products that are simple and transparent.

Our Service

In support of its core purpose, we embrace our responsibility to help address some of the social, economic and environmental challenges our members, communities and colleagues face, by operating responsibly and delivering a Society for its members that is sustainable and accessible to all.

Through our member-led strategy, the Society is building solutions to address members' needs. Delivering member-led propositions is a key factor that supports the Society's growth ambitions. Member feedback highlights our success in delivering value and service to our members with 95% of members surveyed saying that they would use the Society again and 94% stating that they would recommend the Society to family and friends.

Our Strategic Focus

The Society has adopted a member-led strategy which aligns to our vision of becoming an innovative, exciting, modern mutual. The strategy is underpinned by our aspiration to grow to become a £2bn Society by the end of the planning period. Delivery of our strategy will achieve our purpose of 'helping our members, communities and colleagues to thrive, today and tomorrow' through ensuring that the Society remains financially sound with the agility to respond to the needs and expectations of our members both now and into the future. Our values – Community, Personal, Dynamic and Quality are embedded in the culture of the Society and are central to everything we do.

"We've made fantastic progress against our strategy over this first year of our 5-year plan. We have made significant achievements for our members and our colleagues, alongside our financial performance to make a positive impact on the environment"

Strategic Report

Our strategy aims to achieve our ambitions through:

Resilience in Operations – Ensuring the services we provide to our members are resilient to disruption;

Digitally Enabled – Embracing digital transformation to deliver services to our members via their channel of choice;

Capital Growth – Growing sustainably toward our ambition to be a £2bn Society, securing the foundation for our next 150 years and beyond;

Agile Working – Focusing on our colleagues, ensuring we offer a modern, flexible approach to how we work and interact with each other, at all times ensuring we deliver a personal, quality service to our members;

Personalised Solutions – Leveraging what makes us unique as a mutual organisation – our ability to tailor our services to meet the needs of current and future members.

We've made fantastic progress against our strategy over this first year of our 5-year plan. Further details of the significant achievements for our members and our colleagues, alongside our financial performance and efforts to make a positive impact on the environment are summarised below.

Our Members & Communities

The Society continues to help its members, colleagues and communities thrive and this year has been no exception. We remain predominantly retail funded and our future strategy will ensure that this remains the case. Despite record low interest rates, we have maintained competitive savings rates for our loyal investing members across all distribution channels. Retail funding and other deposits inflow was £101m (2021: £139m) for the year. As the economic outlook changes and interest rates have started to rise, the Society will seek to increase our levels of retail deposit funding over the remainder of the strategic plan, supporting our loyal savings members.

As part of our social responsibility as a business, we have continued to strengthen our community foundations and have launched a number of successful initiatives in the year. Our colleagues have been instrumental in their success, giving their time and effort to volunteer and support local organisations. Our community work has been recognised externally when we won the Community Services Award at this year's prestigious Mortgage Finance Gazette Awards.

Branching into Communities

Our award-winning Branching into Communities programme leverages our branch network and established community and charitable work, enhanced through the launch of a brand new initiative – our Branch Sponsorship Fund – created to support grassroots and community projects in our communities.

Branching into Communities

Colleague in the Community

To support our colleagues to make a difference in their communities, we launched our Colleague in the Community initiative which provides two full days of paid volunteering per year. Despite this initiative launching midway through the year, over 1000 hours of colleague time were donated to community causes since the scheme launched in September 2021.

Strategic Report

Community Bank for Wales

Supporting the creation of a Community Bank for Wales is a key commitment within the Welsh Government's 'Programme for Government'. The community bank for Wales is a good fit for the Society as a proud Welsh-based mutual serving the needs of the people of Wales for over 150 years. Delivering the community bank is an exciting opportunity to build further on the Society's vision of the modern mutual. Exploratory work to consider supporting the launch of the bi-lingual community bank continued throughout the year.

Charitable Foundation

The Monmouthshire Building Society Charitable Foundation was founded in 2000 to support local community groups, organisations and good causes across south Wales and the south west of England. The primary purpose of the foundation, which this year celebrated 21 years of supporting local causes, is to provide modest donations that will have a positive impact on the lives of disadvantaged or vulnerable people in our communities. Since 2000, the Charitable Foundation has contributed more than £300,000 to over 500 local charities and organisations.

Monmouthshire Building Society
Charitable Foundation

Brecon Branch

The Society has maintained a presence in Brecon since 2011. Recognising the importance of our branch network to our members and communities, we invested in new premises in Brecon to replace our existing location. The new branch offers members greater accessibility and more space for everyone.

Our Colleagues

Key to achieving the strategy is the ongoing development and support of the Society's colleagues and inclusive culture, which encourages the core values of the Society to be central to all business activities. Adapting to new, more flexible ways of working is the biggest structural change that has come out of the pandemic. The Society must remain flexible to further changes and aims to achieve a unique, dynamic, inclusive working culture that serves to attract the best talent and retain existing colleagues to create an environment which rewards achievement and fosters success.

- **Modernising our ways of working** - During the year, to further enhance our agile working approach adopted during the pandemic, the Society completed a laptop roll-out for all colleagues. The new devices enable a consistent, modern working experience for all colleagues whether based from the office or at home and lay the foundations for ongoing modernisation of our approach to work in the future.
- **Driving colleague recruitment and recognition** – Attracting and retaining colleagues to help us deliver our strategy is challenging in the candidate-driven employment market. In response, we have invested in both our employer brand – the impression of the Society we give to potential recruits – and our approach to reward and recognition to our existing colleagues. These investments have been integral in ensuring current and future colleagues experience and enjoy the benefits of working for a modern mutual.
- **Repayment of Furlough Support** - Like many businesses, the Society took advantage of the UK Government's furlough scheme to protect jobs and support business resilience during the pandemic. As the Society's 2021 year end performance, despite the pandemic, was much stronger than the prior year, we believed it was the right and fair thing to do to repay the financial support given through the furlough scheme, totalling £75.5k.
- **Supporting our colleagues in uncertain times** - Recognising the impact of the cost of living crisis on our colleagues, the Board approved a one-off £1,000 bonus to all colleagues in April 2022.

The Environment

Climate change will ultimately transform the way we live, our economy and the planet itself. The social awareness of the effects of climate change will continue to increase in the coming years as the impact human activity is having on our climate becomes increasingly apparent. Work on the evaluation of climate risks on the Society is well underway as we seek to understand the impact on the Society of physical climate risks and transition risks in moving to a low carbon environment, and has been progressed on strategic and regulatory fronts. In 2019, the Prudential Regulation Authority (PRA), issued the Supervisory Statement 'SS3/19 Enhancing banks' and insurers' approaches to managing the financial risks from climate change', outlining the regulatory expectations for managing climate related financial risks. The Society has committed to a better understanding of the financial risks of climate change, as well as the impact the Society has on the environment.

Strategic Report

Regulatory Focus on Climate Change

During the year:

- Senior Management Function (SMF) for climate risk has been assigned to the Society's Chief Finance Officer who has accountability for the implementation of SS3/19.
- The Society has developed and continues to embed a Climate Risk Framework detailing the approach to managing climate risk.
- Climate risk has been included within the Society's Enterprise Risk Management Framework, (ERMF), to ensure that risks are appropriately identified and managed.
- Scenario analysis and stress testing of the mortgage book has been undertaken to quantify the impact of physical and transitional risks as a result of climate change.
- Training has been provided to the Society's Board, enhancing the awareness of the impact of climate risk and its responsibilities as a Board.

Strategic Focus on Climate Change

In support of its core purpose, the Society embraces its responsibility to help address some of the social, economic and environmental challenges its members, communities and colleagues face, by operating responsibly and delivering a Society for its members that is sustainable and accessible to all. We are committing to being socially accountable to our colleagues and members.

Progress Made:

- The Society launched its range of Energy Efficient Home Purchase mortgages which offer improved affordability criteria for properties with 'A' rated Energy Performance Certificates in recognition of the lower energy costs associated with operating these 'greener' homes.
- The Society is taking the first steps in supporting members to decarbonise their homes. We have signed up to be a founding partner on a project which will look at Optimised Retrofit. An Optimised Retrofit is a retrofit of an existing home, that uses a combination of improvements, low/zero carbon technologies, and intelligent ongoing operational controls, to take that home to its lowest achievable carbon footprint. In almost all cases, this is likely to be zero carbon at a point in the relatively near future.
- To help us make even more of a difference to the places in which we live and work, we've created a new Social Responsibility Panel. The Social Responsibility Panel engages colleagues across the organisation to support local initiatives, share experiences and identify opportunities for change, all of which have a positive impact on the environment and our communities. The panel also supports adoption and absorption of the outcomes delivered from the green finance and our branching into community projects. The role of the panel is to embed these changes and bring to life the positive impacts these initiatives are delivering.

Emissions

The Society is committed to measuring and reducing its energy consumption and carbon footprint. As at 30 April 2022 the Society has fully measured Scope 1 and Scope 2 emissions, future enhancements are for the Society to measure and quantify the total Scope 3 emissions. Scope 3 emissions are defined as all other indirect emissions that occur within the Society's value chain, including purchased goods and services, employee commuting, investments and waste disposal.

'We are building a greener future for all of our members'

Scope	Description	tCarbon as tCO2e*
Scope 1 – Direct Emissions	Emissions directly made by the Society – company cars and consumed natural gas	202.16
Scope 2 – Indirect Emissions	Emissions indirectly made by the Society – purchased electricity	78.33
Total		280.49

* Tonnes (t) of Carbon dioxide (C02) equivalent (e)

Our Financials

As a mutual, it is first and foremost in our minds that we must balance the needs of our savers and borrowers as well as deliver profit for the business which will help us to keep the business secure, by growing the capital base. Currently, generating profits is the only way that the Society can create more capital to invest in its future and provide essential protection for the Society and our members.

Results	2022	2021	Description
Growth			
Total Assets (£ millions)	£1,488.19	£1,385.53	Total assets of the Society, comprised primarily of mortgage assets.
Total Mortgage Assets (£ millions)	£1,201.96	£1,136.17	Mortgage assets represent loans to our members.
Lending			
Gross New Lending (£ millions)	£247.78	£374.25	The total value of new loans to our members over the past year.
Net Lending (£ millions)	£88.50	£109.47	The net value of lending for the year, comprised of gross new lending less mortgage capital repayments and redemptions in the year.
Net Interest Margin %	1.40%	1.13%	The Society's net interest receivable for the year as a % of mean total assets. The higher this value, the more profitable the Society.
Capital			
Total Reserves (£ millions)	£72.46	£63.56	The accumulated profits of the Society since inception over 150 years ago.
Regulatory Capital* (£ millions)	£72.1	£62.7	Regulatory capital consists of statutory capital (total reserves) plus general impairment provisions less intangible assets, and is used by our regulators to assess the sufficiency of our capital position.
Risk-weighted assets (£ millions)	£510.27	£472.30	Risk-weighted assets (RWAs) is the value of the Society's mortgage assets, adjusted for the potential risk of loss they represent. Riskier lending is weighted more heavily, requiring the Society to hold more capital against it.
Capital Ratio (% Risk Weighted Assets)	14.16%	13.28%	The Society's regulatory capital as a percentage of risk-weighted assets. Our regulator, the PRA, sets a minimum requirement for capital expressed as a % of risk-weighted assets.

Strategic Report

Results	2022	2021	Description
Profitability			
Underlying profit before tax (£ millions)**	£5.16	£1.30	The profit for the year, excluding fair value adjustments for derivative instruments.
Gain on fair value adjustments (£ millions)	£4.48	£0.59	The gain on fair value adjustments for derivative instruments.
Profit After Tax (£ millions)	£7.78	£1.57	The profit for the year after taking account of taxes.
Profit After Tax Ratio (% mean total assets)	0.54%	0.12%	The ratio of profit after tax to mean total assets which provides an indication of how well the Society has deployed its assets to earn a return for members.
Management Expenses Ratio (% mean total assets)	1.10%	0.97%	The ratio of administrative expenses, depreciation and amortisation to mean total assets.
Cost Income Ratio (%) Pre-Fair Value gains	77.74%	86.37%	The ratio of administrative expenses, depreciation and amortisation to total operating income, excluding fair value adjustments for derivative instruments.
Cost Income Ratio (%) Post-Fair Value gains	63.68%	83.07%	The ratio of administrative expenses, depreciation and amortisation to total operating income, including fair value adjustments for derivative instruments.

*Regulatory capital consists of statutory capital (total reserves) plus general impairment provisions less intangible assets. General impairment provisions are treated as common equity type 2 capital resource and therefore are removed from the CET1 ratio. The Society's tier 1 capital, (CET1), is equal to general reserves less intangible assets. Total regulatory capital is tier 1 capital plus tier 2 capital collective provisions.

**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.

Growth

The Society's balance sheet grew by 7%(2021: 11%) to £1.49bn (2021: £1.39bn) in the year. Overall balance sheet growth was slightly behind the prior year, as despite the buoyant housing market, competition for lending remained fierce, and noting that prior year growth also benefited from pent-up demand following the first lockdown period in the UK. The Society continued to manage its liquidity to support lending and increase its balance sheet. Liquidity reduced to 18.1% of shares and deposit liabilities from 18.2% in 2021, reflecting the fact that surplus liquidity was used in the year to fund our new mortgage growth.

Lending

While less than the prior year, the Society grew its lending book by 6% (2021: 11%) to £1.20bn (2021: 1.14bn) driven by net lending of £88.5m (2021: £109.5m).

Loan loss provisions increased in the COVID-19 pandemic, reflecting the uncertainty in the marketplace and the action taken by the Society to support our members. As the country has started to emerge from the pandemic and the impact on borrowers that was first feared did not materialise, the amounts that had been set aside for losses resulting from the pandemic have been released. However, since the turn of the 2022 calendar year, household income has been squeezed by higher inflation, a rising tax burden and higher unemployment. At the year-end, provisions were assessed as £0.87m (2021: £1.5m), with a release of £0.7m (2021: £0.7m charge) for the year. Further detail on provisions is contained in note 10 to the financial statements.

Capital

We have continued to focus on ensuring the Society's balance sheet is safe, secure and fit for purpose for both the regulatory environment of today and that of the future. The Society has sufficient levels of capital above its regulatory requirements, a solid foundation to achieve increased levels of growth for the remainder of the current strategic plan. Our capital position is more than sufficient to meet our regulatory requirements. Capital reserves stood at £72.5m (2021: £63.6 million) at the year-end. Our Common Equity tier 1 ratio, which looks at our capital levels against our risk weighted assets is 14.08% (2021: 13.22%); and our capital ratio including tier 2 capital, is 14.16% (2021:13.28%). The Society complied with Individual Capital Guidance plus capital buffers, as notified by the Prudential Regulation Authority, throughout the financial year.

There still remains uncertainty in relation to the Society's defined pension scheme liability. This arose following a legal review of the enactment of prior changes to the rules of the scheme, instigated by the Society as part of the closure of the scheme to future accrual. The potential for further increases to the scheme liability remain, which is currently being investigated by the Society with legal support. However, this will not impact on the long-term sustainability of the organisation. See Note 20 for further details.

Strategic Report

Profitability

The Society's underlying profit before tax for the year was strong, increasing to £5.16m (2021: £1.3m). An increase in the net interest margin to 1.40% (2021: 1.13%) was achieved through a combination of ongoing low borrowing costs and resilient pricing on new lending relative to swap costs during the year.

The Society's administration expenses increased in the year to 1.10% (2021: 0.97%). This is a direct result of increasing employee costs as headcount increases to support strategic delivery. There has also been a significant increase in depreciation and amortsiation due to a £600k write down of the Head Office property.

Another significant driver of profitability in the year relates to fair value hedging. Income of £4.5m (2021: £0.59m) is the result of a material increase in forecast interest rates over the medium term from almost 0% in late 2021 to over 2% by the year end. The majority of this figure relates to the movement in fair values of swaps between inception and designation into a hedge. The hedges remain highly effective. This gain is expected to reverse over the later years of the plan.

The Future

This report outlines another successful year for Monmouthshire Building Society during a period of uncertainty, in which we have continued to successfully implement our strategy and bring to life our vision of becoming an exciting, innovative modern mutual.

The new financial year will pose different challenges for us as a business as we all adapt to a post COVID-19 environment. Members are seeking to manage the period of rising inflation. Interest rates have increased and may increase further as the year progresses. While interest rate rises may provide some welcome relief to our savings members, conversely the cost of borrowing may also increase. As a mutual organisation, we will continue to balance the needs of all of our members to ensure that we grow sustainably into the future. We will continue to invest in our people, systems, products and services to ensure we meet the ever-changing needs of our diverse membership.

Our colleagues have been instrumental in the successes that we have achieved and will continue to strive to deliver the best service for current members and generations to come.

I am extremely proud to be able to lead an organisation with such a successful history and exciting future. I am delighted with what your Society has achieved in the year and thank all of my colleagues, our members and communities for your support in getting us to where we are today.

William Carroll
Chief Executive

15th July 2022

Directors' Report

Non-Executive Directors

Debra Lewis

Non-Executive Director and Chair – Elected in 2014 and Chair since 2018

Debra Lewis

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Debra is an independent member of several investment committees for Rothschild & Co. 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.

Debra 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. Debra has a wealth of financial and commercial experience in accountancy and financial services. She contributes to the Board financial insight and commercial acumen as well as leadership and boardroom experience.

Debra believes the best part of working at the Monmouthshire is the professionalism, dedication and compassion shown by her colleagues in endeavoring to serve the interests of our members.

Tony Morgan

Non-Executive Director - Elected in 2013

Tony Morgan

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Tony previously worked for PricewaterhouseCoopers (PwC) as Senior Partner in Wales and Deputy Chairman of the Wales and West Region. 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 Chair 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 Limited.

Tony is a Fellow of the Institute of Chartered Accountants and holds a BSC (Hons) degree in chemistry from University College, Cardiff. He brings to the Board substantial experience in accountancy and audit matters.

Tony joined the Board because of the Society's mutual ethos and values that have served the community well for over 100 years.

Committee Key:

Audit Committee
Risk Committee
Nominations Committee
Remuneration Committee

The biographies of the Directors are set out here and include specific reasons why their contribution is, and continues to be, important to the Group's long-term sustainable success.

Directors' Report (cont)

Roger Turner
Non-Executive Director and Senior Independent Director – Elected in 2015

Roger Turner

Roger has some 31 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. 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.

Roger holds a BA (Hons) in Business Studies and an MBA in Finance from City University Business School. He contributes to the Board considerable wide-ranging experience in the financial services sector including Treasury, Corporate Finance and regulatory matters.

What Roger enjoys most about working at the Society is the ambition of the team, the flexibility and willingness to embrace the challenges of the world today and the family feel of our Society.

Trevor Barratt
Non-Executive Director
Elected in 2016

Trevor Barratt

C

Trevor has over 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. For several years he was the Head of Strategic Risk for Lloyds TSB, 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 as an Executive Director, prior to moving to risk consultancy. He was a Non-Executive Director of a private bank, with an international clientele.

With extensive experience across both small and large entities, Trevor is a specialist in risk management. He is a Fellow of the International Compliance Association. Trevor also holds the FT Advanced NED Diploma. An Associate of the Chartered Institute of Financial Services, Trevor gained a Postgraduate Diploma before completing a Master of Business Administration from Sheffield Hallam University.

Trevor sees Monmouthshire Building Society as a true community society, with an ambitious vision to increase financial inclusion, using multiple delivery channels, at the very time other financial service firms are withdrawing from towns and communities across Wales.

Liz McKenzie
Non-Executive Director and Chair
Elected in 2018

Liz McKenzie

C

Liz started her career in manufacturing and held a number of roles with Toyota Motor Manufacturing. She was latterly the Assistant General Manager and a member of the senior leadership team. In a transition from manufacturing to financial services, Liz joined the Wesleyan Assurance Society in 2010. She held a number of senior roles including Chief Operating Officer from 2015 to 2017. Liz is Chair of IoT start-up Tended and Shareholder NED at the Brunel Pension Partnership.

Liz has a degree in Production Engineering and contributes to the Board a wealth of experience of transferring manufacturing best practice into financial services in areas such as operational improvement, people development and remuneration, transformation and IT, driving cost management and income growth.

Liz likes that the Society is such a big-hearted organisation, our actions are real and will make a difference. The work in the community, the pioneering green mortgages, our apprenticeships to name a few. And there's so much more to do!

Marian Evans
Non-Executive Director
Elected in 2021

Marian Evans

Marian qualified and practiced as both a Chartered Insurance Broker and Chartered Insurer. Marian is a Fellow of the Institute of Leadership and Management and Fellow of the Chartered Management Institute.

A former Director of Thomas Carroll Group and Sales Manager at NFU Mutual. Marian owns a successful consultancy business and Property Partnership. Marian also serves on the Cirencester Friendly Society Ltd Board and is an ambassador for Women on Board UK.

Marian is proud to be part of Monmouthshire Building Society and describes its culture as one which truly has the best interests of its people and customers firmly at its core.

Directors' Report (cont)

Colin Brereton
Non-Executive Director

Colin Brereton

Colin joined the Board in March 2022.

Colin was a Senior Partner with PricewaterhouseCoopers (PwC) until 2018. He held positions with PwC including EMEA Financial Services Clients & Markets Leader, Global Communications Leader, and UK Technology and Telecoms Leader. Colin is Chairman at the digital investment and financial services company BnkPro, and Non-Executive Director at the on-line broker FxPro.

Colin is Audit Committee Chairman at Royal National Children's Springboard Foundation, Deputy Chairman at Floreat Education and a trustee of Farm Africa.

Colin has 38 years' leadership experience in professional services. He has over 20 years' experience within PLC boardrooms and served three terms on PwC UK's Supervisory Board.

Colin is a member of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Association of Chartered Certified Accountants. Colin contributes a wealth of experience in business, accountancy and audit matters. His advisory work spanned strategic and operational transformation, financial performance improvement, and regulatory compliance.

Colin believes in the mutual model and is impressed with the work the Society does in the community, the people he has met, and their enthusiasm and commitment to supporting Monmouthshire's members.

Executive Directors

William Carroll
Chief Executive Officer

William Carroll

Will joined the Society in 2004 and was appointed to the Board in 2009 as Finance Director. In 2017 he became Chief Executive Officer. Will is accountable to the Board and responsible for leading the development and execution of the Society's long-term strategy in the interests of members. Will is responsible for all day-to-day management decisions and for implementing the Society's long and short-term plans.

Will previously worked for Deloitte and was involved with a wide range of audit work in a variety of different industry sectors. He has been with the Society for over 17 years and in that time has been responsible for various departments including Finance, Treasury, Customer Services and Arrears.

Will is a Fellow of the Institute of Chartered Accountants. He holds a Master's degree in Leadership and Management from the University of Loughborough. Will has a great understanding of the Society and the building society sector, and significant experience in financial management.

During this time, he is extremely proud of the way in which all within the organisation pull together to ensure that we develop and evolve and continue to deliver exceptional services for our members.

Dawn Gunter
Chief Operating Officer

Dawn Gunter

Dawn joined the Society in September 2017 initially as Director of Distribution before she moved into the role of Chief Operating Officer. She was appointed to the Board in February 2018. Dawn is responsible for the Operations and Distribution within the Society.

Before joining the Society, she has enjoyed successes in various senior leadership roles across the banking, insurance and building society sectors with her most recent role as Head of Operational Strategic Design & Delivery at Sainsbury's Bank. Dawn also spent 11 years with the Principality Building Society in various roles including the Head of Direct Channels with roles prior to that in Legal & General.

Dawn contributes to the Society, over 30 years' experience within financial services and is skilled in the formulation of strategy and delivering change. She has a wide breadth of knowledge across all key functional areas of Distribution, Product Development, Operations, Brand & Communications, IT, and Compliance Quality Assurance with successes delivering results through high performing teams and creating customer-centric cultures.

Dawn is passionate about delivering solutions that align to the Society's values to help colleagues, members and communities to thrive today and tomorrow. She is particularly proud of the support colleagues show for local communities and charity initiatives, giving up their time to lend a hand and make a positive impact on the environment, the lives of members and local areas.

Tom Leach
Chief Finance Officer
(from 18th July 2022)

Tom Leach

Tom has 20 years' experience in financial services, and comes to the Society following a 4 year tenure as Finance Director at Bath Building Society. He will take over from Interim Chief Finance Officer Julian Bill in July 2022.

Tom has held a variety of senior and strategic positions in financial services, having worked for Deloitte, Principality Building Society where he rose to the role of Group Financial Controller, and more recently Bath Building Society where he has been the Finance Director since 2018.

Tom is thrilled to be joining MBS and to support the Society on its journey towards becoming a modern mutual. The purpose-led, innovative and forward thinking strategy is ambitious, and challenging, and builds on the Society's 153 years of service delivery. This next phase of development will ensure the Society remains relevant for its members, colleagues and communities for another 150 years. He believes the Community Bank proposition is really exciting and is looking forward to playing his part in delivering this venture.

Directors' Report

In Respect of Accounting Records and Internal Controls

The Directors are responsible for ensuring that the Society and its subsidiary undertakings, (The Group):

- keep adequate accounting records in accordance with the Building Societies Act 1986; and
- take reasonable care to establish, maintain, document and review systems of control as are appropriate to the business in accordance with the rules made by the Prudential Regulation Authority ("PRA") under the Financial Services and Markets Act 2000.

They have general responsibility for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Statement of Directors' Responsibilities in Respect of the Annual Accounts

The following Statement, which should be read in conjunction with the Independent Auditor's Report on pages 62 to 68, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement, Strategic Report and Directors' Report.

The Building Societies Act 1986 (the "Act") requires the Directors to prepare financial statements for each financial year. Under the Act the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under the Act the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Building Societies Act 1986. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

External Auditor

In line with the Society's policy, a competitive audit tender was conducted in June 2020. As a result of the tender, the Audit Committee recommended that BDO were appointed as the Group's external auditor beginning with the financial year commencing May 2020.

Each of the persons who is a Director at the date of approval of this report confirms that, so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware and that they have taken all the steps that should be taken by a Director in order to be aware of any relevant audit information, and to establish that the Group's auditor is aware of that information.

Capital and Reserves

The Group reported a profit before tax for the year of £9.64m (2021: £1.89m), Group profit after tax transferred to reserves was £7.8m (2021: £1.57m).

Charitable Donations

A total of over £12,396 was raised for Shelter Cymru, our chosen charity of the year, which provides help and support to the many people in our nation who are facing the trauma of homelessness. The Society's independent Charitable Foundation continues its aim of support for our local communities, awarding £21,294 (2021: £15,211) to 25 great causes during the year.

SHELTER CYMRU

Monmouthshire Building Society Charitable Foundation

The Society's latest Pillar 3 disclosures can be obtained from the Society's website. The capital ratio at 30th April 2022 was 14.16%, (2021: 13.28%).

In compliance with the Regulations of Article 89 of the Capital Requirements Directive IV (CRD IV) country-by-country reporting we disclose the following information:

All of the Group's activities are undertaken in the United Kingdom only. Monmouthshire Building Society is the parent entity and a list of its subsidiaries can be found in note 11 of the accounts. The principal activities of the Group can be found in the Strategic Report.

Mortgage Arrears

At 30th April 2022 there were 95 mortgage loans (2021: 109) one month or more in arrears, with total amount outstanding of £427k and a total balance of £12,644k, including 17 mortgage loans (2021: 18) with outstanding payments twelve months or more in arrears, with total amounts outstanding of £241k and balances of £1,894k.

Those payment holidays granted under the government scheme have not been treated as arrears in line with Government guidelines. As of 30th April 2022 there were no members with payment holidays (2021: 43).

Supplier Payment Policy

The Group will discharge suppliers' invoices within agreed terms when they fully conform to the terms and conditions of the purchase.

Events Since the Year End

The Directors consider there have been no events since the end of the financial year which would have a significant effect on the financial position of the Group.

Future Developments

Details of future developments can be found in the Strategic Report on **pages 4-15**.

KPIs

Details of the Group's KPIs can be found in the highlights on page 1 and the Strategic Report on **pages 12-13**.

Principal Risks and Uncertainties

The principal risks and uncertainties to achieving the Group's strategic priorities together with our mitigating actions can be found in the Risk Management Report on **page 53-60**.

Political Donations and Gifts

The Society has not made any political gifts or donations in the year to 30th April 2022 (2021: £nil).

Directors' Report

Financial Instruments

The Society's use of financial instruments is contained in the Society's Accounting Policy Section on **page 74**.

Long-Term Viability and Going Concern

The UK Corporate Governance Code requires a long term viability statement. Provision C.2.2. of the Financial Reporting Council's UK Corporate Governance Code requires the Directors to explain how they have assessed the prospects of the Group; over what period they have done so and why they consider that period to be appropriate. The Directors should state whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

The Directors have assessed the viability of the Group over a three-year period taking into account the business strategy and the principal risks as set out in the Strategic Report and the Risk Management Report. The Directors have a reasonable expectation that the business can continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. The Directors have determined that a three-year period of assessment is an appropriate period over which to provide its viability statement. The three-year period is considered to be most appropriate as it is the longest period over which the Board considers that it can form a reasonable view of the likely macroeconomic environment and associated key drivers of business performance. As part of the annual Group Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), the Group stresses its capital and liquidity plans respectively, under "severe but plausible" stress test scenarios, in line with PRA requirements.

The ICAAP ensures that the plan projections for capital requirements and capital generation are resilient to stresses should the environment deteriorate beyond the levels currently envisaged in the Strategic Plan. A capital buffer is held to ensure the Group can deal with any erosion in its capital and meet its capital requirements at all times.

The ILAAP tests ensure that the Group holds sufficient liquid assets to meet its liquidity needs not only under normal circumstances but if the Group were to enter into a period of stress.

Recovery from the coronavirus pandemic and war in Ukraine has caused significant disruption to the UK economy and the markets within which the Society operates. However, we remain confident that the Society's high quality balance sheet, robust capital ratios and careful approach to managing risk will continue to underpin its financial strength and place it in a strong position to continue to grow. The Society's ICAAP uses the Bank of England's stress testing scenarios and has found its capital position to be robust enough to withstand those suggested stressed scenarios.

In making this long-term viability statement the Board has taken into account its current position and performed a robust assessment of the principal risks and uncertainties that would threaten the business model, future performance, solvency or liquidity of the Group. These risks are described in the principal risks and uncertainties section of the Risk Committee Report. The Group's Risk Management Framework and governance structure in place to deal with these risks are described in the Risk Committee Report.

After considering the Group's capital and liquidity positions, the Board has a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the next three years.

Directors

The details of the Directors are shown on **pages 16-20**. In accordance with best corporate governance practice, all Directors will offer themselves for re-election. Tom Leach and Colin Brereton, having been appointed in the year, will stand for election.

Signed on behalf of the Board

Debra Lewis
Chair

Corporate Governance Report

This report explains how our governance framework operates and the role of the Board and its Committees.

The UK Corporate GovernanceCcode seeks to establish best governance practices across the listed sector. As a mutual organisation, the Society is not required to fully comply with the UK Corporate Governance Code (the Code); however, the Board pays due regard to it when establishing and reviewing the Society's own corporate and governance arrangements. This report explains to our members how the Society applies the principles in the Code so far as its provisions are relevant to building societies.

The Building Societies Association states that the role of a Building Society Board is typically seen as one of stewardship, running the Society not just for the benefit of current members, but also for future generations of members. The notion of stewardship demands a long-term perspective on financial stability, customer propositions and investment. Therefore, the focus on the Code on Board's promoting long-term sustainable success supports the Society's mutual ethos.

1. Board Leadership and Company Purpose

The Role of the Board

The Board and its Members

The Board of Directors is chaired by Debra Lewis, an independent Non-Executive who provides strong, ethical and visible leadership. The Board also comprises of six other independent Non-Executive Directors and three Executive Directors.

The Board is collectively responsible for the governance of the Society through its decisions and oversight which facilitates effective and prudent management that promotes the long-term sustainable success of the Society and generates value for members and other stakeholders. The responsibilities of the Board include setting the purpose, values and strategy, providing the leadership to put them into effect, monitoring performance and reporting to members on their stewardship.

The Board ensures dialogue which is both constructive and challenging, whilst maintaining mutual respect and openness. Our purpose of 'helping members, communities and colleagues to thrive today and tomorrow' aligns with our mutual status. The Board is responsible for establishing the culture and sets the 'tone from the top' through the Directors and Executives leading by example and promoting the desired culture.

The Board ensures that the necessary resources are in place for the Society to meet its objectives and measure performance against them. The Board has established a framework of prudent and effective controls, which enable risk to be assessed and managed. More information on this framework can be found within the Risk Management Report on page 53.

Strategy

The Society's Board is collectively responsible for the long-term success of the organisation. Its principal function is to determine the strategy and policies of the Group within an effective control framework which enables risk to be assessed and managed. Details of the Society's strategy, and our progress against it in the current financial year, can be found within the Strategic Report on pages 4-15.

Culture

The Board recognises that good governance is more than rules, regulations and frameworks and the people on the Board. It extends to embedding the right culture, values and ethics within the Society. The Board considers purpose, values, and culture when setting strategy.

In 2019 the Board agreed the Society's purpose of 'helping members, communities and colleagues to thrive'. This purpose is supported by the Society's values and strategy. The Board has considered the aspirational culture for the Society and is focused on setting the right tone from the top. All Directors are expected to act with integrity, lead by example and promote the Society's culture.

The Society's people and culture strategy outlines the aims, vision and activities to be undertaken in relation to culture. Regular updates are provided to the Board on feedback from colleagues and the culture within the Society, as well as cultural insights such as employee turnover and any work-related absences.

The Board assesses and monitors culture through these updates and regular reports from colleague surveys, executive reports, HR, Risk & Compliance, Internal and External Audit, conduct matters and quality assurance reviews that include information to assist the Board in monitoring the culture within the Society.

The Board commissioned an independent survey on culture which was undertaken by the Banking Standards Board (BSB). Colleagues completed an online questionnaire and the BSB reported on the results which ranked the Society within its peer group. The Board have reviewed the results and engagement has taken place at all levels of the Society to understand what can be done to enhance the culture and adapt to new ways of working following the pandemic.

In order for the Society to meet its responsibilities to members and stakeholders, the Board ensures effective engagement with, and encourages participation from, these parties. More information on stakeholder engagement can be found below.

The AGM and other communications with members provide the opportunity for members to give feedback to the Society on any aspect of its activities. For the 2020 and 2021 AGMs, members were given the opportunity to submit questions to the Society by email.

The Board has a schedule of retained powers in order to maintain control over the Group's affairs whilst other matters are delegated to the Executive Team or Committees.

Throughout the pandemic a crisis team was set up and initially there were daily virtual executive meetings moving to weekly meetings with regular updates provided to the Board. Delivery of some strategic priorities were accelerated. The Board considered key risks and emerging risks and agreed that there was no material change to the Group's risk profile, due to the robustness of the Enterprise Risk Management Framework. The Board engaged with colleagues via Non Executive Director videos during this time. Since the easing of the restrictions, all meetings have been hybrid with the majority joining in person.

Engaging our Stakeholders

The Society recognises the importance of the views and interests of our key stakeholders and the impact they have on the achievement of our purpose and strategy. We seek positive engagement with all stakeholders holding an interest in the Society's activities, whilst ensuring we actively engage with our key stakeholders on an ongoing basis.

The Board has identified its stakeholders and keeps these groups under regular review along with the engagement mechanisms in place for them. The Board recognises its role to promote the long-term sustainable success of the Society, generating value for members and contributing to wider society.

The Board has identified our engagement with key stakeholders and details are provided below:

Members & Communities	Collegues
• Annual General Meeting • Member Research Panel • Social media • Branch & agency visits • Customer surveys & complaints procedures • Branching into Communities initiative • Colleague in the Community volunteering • Charitable Foundation	• Town Hall meetings • Monthly executive briefing • Colleague Forum • Colleague surveys • Branch & agency visits • Internal communications • CEO 'Meet the Team' meetings
Intermediaries	**Regulators, Trade Bodies & Welsh Government**
• Intermediary portal • Mortgage networks • Attendance at industry events • Broker Forum & feedback	• Open dialogue and transparent communications with regular correspondence and meetings • Regulatory returns and reporting • Participation and input into industry events

Corporate Governance Report (cont)

Section 172(1) Statement

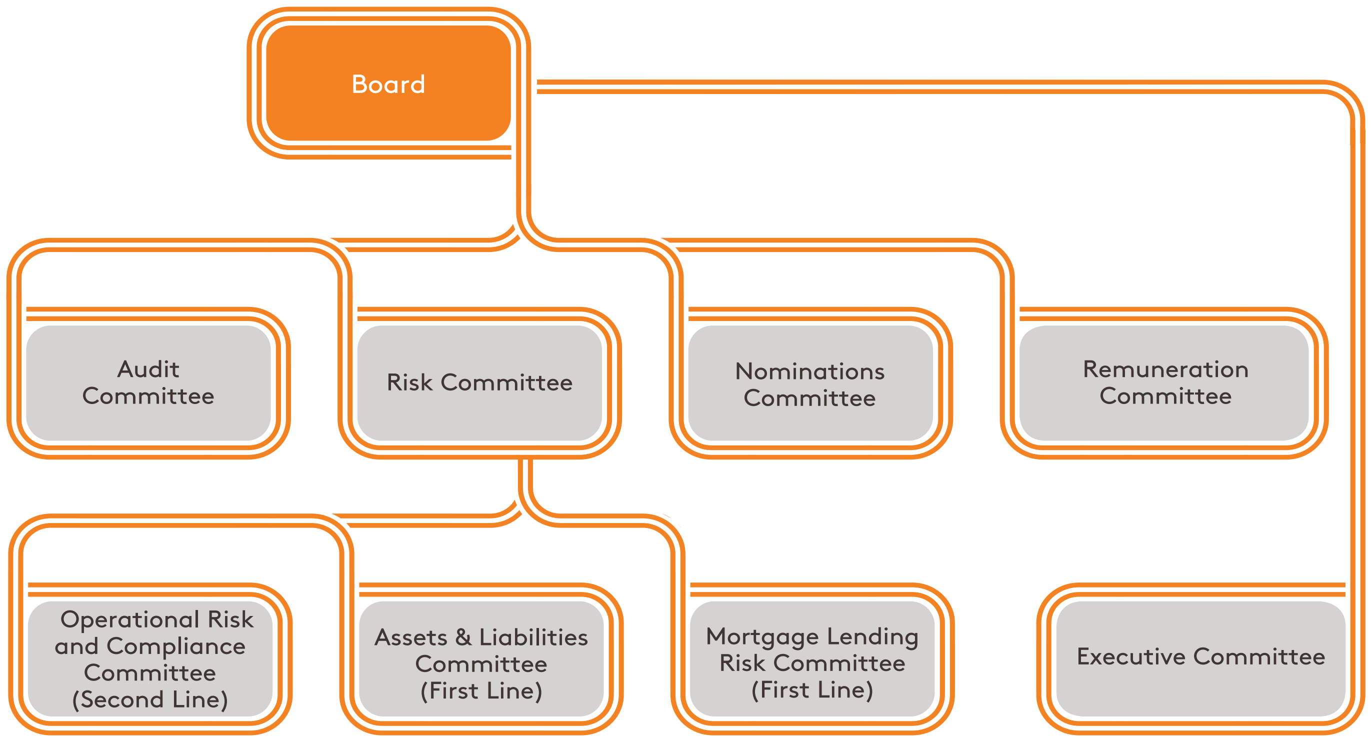
Monmouthshire Building Society is not governed by the Companies Act 2006 and section 172 on Directors' duties. However, the Directors' duties under building society law are similar. As the Society has due regard to the Code it also considers the duties set out under section 172 of the Companies Act 2006 in so far as they are applicable to building societies. All references to the 'Company' have been replaced by the 'Society'.

As evidenced within the Chair's review and the Strategic Report, the Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Society for the benefit of its members and stakeholders as a whole, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long-term;
- the interests of colleagues;
- the need to foster the Society's business relationships with suppliers, customers and others;
- the impact of the Society's operations on the community and the environment;
- the desirability of the Society maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Society.

The Chair ensures that decision making is supported and informed by these factors when the Board is discussing proposals. The Board recognises that in considering a broad range of interests and balancing different perspectives it will not always be possible to deliver every stakeholder's preferred outcome.

As noted above, the AGM and other communications with Members provide the opportunity for Members to give feedback to the Society on any aspect of its activities. For the 2020 and 2021 AGMs, members were given the opportunity to submit questions to the Society by email.



A full list of responsibilities is set out in each Committee's terms of reference, details of which can be found on our website at www.monbs.com.

The work of the Board Committees are set out in their individual reports to members.

In addition to the Board Committees there are three management Committees, which report into the Risk Committee (as illustrated on page 54), and the Executive Committee.

Operational Resilience

The Board has evaluated the operational resilience of the Group through business continuity planning, information technology and infrastructure. The Board has been kept abreast of changes made to processes within the Society to improve resilience, and ensure the Society is compliant with regulatory requirements. The Board has had regular updates on the enhancement of the Society's IT infrastructure and Information Security.

During the year, the Board approved the Society's first annual Operational Resilience Self-Assessment which provided a robust assessment of the Society's important business services resilience to severe but plausible disruption, and the necessary steps to take, and investment to make to ensure those services can be recovered before causing intolerable harm to our members.

Liquidity and Capital Management

In making decisions to ensure the long-term success of the Society for the benefit of its members the Board balances the needs of savings and borrowing members. The Board has extensively reviewed the Society's assessment of Capital and Liquidity requirements to ensure the ongoing financial soundness of the Society. The Board continues to monitor the availability of funding markets (retail and wholesale) to enable the Society to achieve its strategic objectives.

The Role of the Board Committees

The Board is supported by its committees (as set out on the previous page) which make recommendations to the Board on matters delegated to them, particularly in relation to internal control, risk management, financial reporting, governance and remuneration matters. This enables the Board to spend a greater amount of time on strategic and forward-looking matters. The Chair of each committee reports to the Board meeting following the committee meeting on the matters discussed, decisions taken and makes recommendations to the Board where necessary. High standards of corporate governance at the Society drives informed, collaborative and accountable decision making throughout the organisation and in everything we do.

The Executive Committee

Responsibility for the day to day management of the business and the implementation of the strategies and policies agreed by the Board has been delegated to the Chief Executive who is supported by the Executive Team. The Executive team comprises William Carroll (Chief Executive), Dawn Gunter (Chief Operating Officer), Julian Bill (Interim Chief Financial Officer), David Mollison (Chief Risk Officer, resigned 31 May 2022), Lucy Burgess (Head of People & Culture), Eve Wilkins (Chief Customer Officer) and Steven Phillips (Community Bank Programme Director).

The Executive team form the Executive Committee, which is chaired by the Chief Executive, and meets on a monthly basis. The responsibilities of the Executive Committee are:

- the development and implementation of strategy, operational plans, policies, procedures and budgets
- the monitoring of operating and financial performance
- the assessment and control of risk
- the prioritisation and allocation of resources
- monitoring competitive forces in each area of operation
- people and culture
- business development

The Executive Committee reports to the Board, at each Board meeting, in the form of business reports from the CEO and the Executive team. The Executive team also meet monthly as a Strategic Review Forum to review progress against the Strategic Plan.

Corporate Governance Report (cont)

Workforce Policies and Practices

The Board ensures that workforce policies and practices are consistent with the Society's values and support its long-term sustainable success. The workforce is able to raise any matters of concern in confidence and anonymously. The Board routinely reviews this process and the reports arising from its operation and ensures that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action if needed. Trevor Barratt, Chair of the Risk Committee is the Society's whistleblowing champion supported in the year by David Mollison, the former Chief Risk Officer and Lucy Burgess, the Head of People and Culture. This forms part of the Society's 'Speak Up' arrangements. Employee wellbeing is a key focus, and the Society provides support to employees in several ways. These include access to an Employee Assistance Programme which offers confidential counselling and advice on a wide range of work and personal issues. There is also access to the 45 mental health first aiders with a further 7 to be trained in May.

2. Division of Responsibilities

A clear division of responsibilities is in place to ensure that one individual does not have excessive power over decision making. The Chair leads the Board and there is a combination of Executive and Independent Non-Executive Directors, with a clear division of responsibilities between the leadership of the Board and the executive leadership of the business. The Non-Executives provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. The implementation and delivery of our Strategy, as agreed by the Board, and the day-to-day running of the Society is led by the Executive Committee, which is chaired by William Carroll, and reports to our Board of Directors. The Chair holds meetings of the Non-Executive Directors without the Executives present in order to facilitate a full and frank airing of views. The Senior Independent Director is available to act as a sounding board for the Chair and resolve any issues that may arise.

Role	Responsibilities
Chair Debra Lewis	The Chair is responsible for leading and managing the work of the Board. This is done by setting the Board's agenda and ensuring adequate time is available for discussion of agenda items, demonstrating objective judgement within a culture of openness and debate by facilitating contributions by the Non-Executive Directors at meetings and ensuring constructive relations between the Executive and Non-Executive Directors. The Chair is responsible for promoting good governance and leading the development of the Society's culture. The Chair holds meetings with the Non-Executive Directors without the Executive Directors present. The role of Chair also includes: • Retaining overall responsibility for the leadership of the Board and ensuring its effectiveness • Leading the annual Board evaluation, with support from the Senior Independent Director as appropriate, and acting on the results • Setting the Board's agenda and ensuring adequate time for discussion of all agenda items. • Encouraging all Board members to engage in Board and Committee meetings by drawing on their skills, experience and knowledge • Ensuring that Board composition and succession is regularly reviewed regarding skills and numbers • Ensuring the Directors receive timely and relevant information • Overseeing the assessment of fitness and propriety of those Non-Executive Directors who are not in scope of the Senior Managers and Certification Regime (The Senior Managers and Certification Regime documents regulatory expectations on accountability and governance in relation to individuals who hold key roles and responsibilities in relevant firms) and the related notification requirements to the PRA
Senior Independent Director (SID) Roger Turner	The SID is expected to support the Chair in the delivery of their objectives and lead the evaluation of the Chair on behalf of the other Directors. Their responsibilities include: • To act as the designated Director to engage with the Society's workforce • Be available to Society members if they have concerns which contact through the normal channels of Chair or CEO has failed to resolve or for which such contact is inappropriate • Maintain a balanced understanding of member issues and concerns and support the Chair in ensuring the Board are aware of the views of members • Provide a sounding board for the Chair and to serve as an intermediary for the other Directors where necessary • Conduct the Chair's annual appraisal • Be the focal point for Board members for any concerns regarding the Chair or the relationship between the Chair and the CEO • Act as a trusted intermediary for Non-Executive Directors where this is required to help them challenge and contribute effectively • Take the initiative with the Chair or other Board members if it should seem that the Board is not functioning effectively • During periods where the Board is under significant stress, work with the Chair and other Directors to resolve significant issues
Non-Executive Directors Trevor Barratt Debra Lewis Liz McKenzie Tony Morgan Roger Turner Marian Evans Colin Brereton	Non-Executive Directors provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. All Non-Executive Directors have sufficient time to meet their Board responsibilities at the Society. Their principal responsibilities include: • Appointing and removing Executive Directors • Scrutinising and holding to account the performance of management and individual Executive Directors against agreed performance objectives • Bringing objectivity and independence of view to Board deliberations • Constructively challenging and helping develop proposals on strategy • Helping provide effective leadership in relation to the Society's strategy, performance and risk management • Monitoring the continuing effectiveness of the Board, its Committees and the Executive Management Team • Ensuring high standards of probity and corporate governance.
Chief Executive Officer William Carroll	• Responsible for the day to day running of the business; and • Accountable to the Board for the performance of the Society. In addition, other principal responsibilities, applicable to all Executive Directors', are listed below
Executive Directors Dawn Gunter William Carroll	• Discharging their personal responsibilities under the Senior Managers and Certification Regime for the areas they are accountable for • Creating and articulating the vision of the future • Providing clear business and cultural leadership • Leading the delivery of the Group's strategy; and ensuring the Group operates ethically.
Company Secretary Allison Currie	• Ensures compliance with Board procedures and provides support to the Chair, to ensure Board effectiveness • Assists the Chair by organising induction and training programmes and ensures that all Directors have access to all relevant information • Ensures the Board has high-quality information, adequate time and appropriate resources in order to function effectively and efficiently • Provides advice and keeps the Board updated on corporate governance developments

Corporate Governance Report (cont)

Independence of Non-Executive Directors

The Board considers that all its Non-Executive Directors, including the Chair, are independent and free of any relationship which could materially interfere with the exercise of their judgement. Length of service and whether the Director has recently been an employee of the Group are taken into account when assessing independence in accordance with requirements of the Code.

Board Reporting and Attendance

The Board has a formal schedule of matters which are reserved for its consideration. Proceedings of all the Committees are formally recorded and the key points arising from each meeting are subsequently considered by the Society's full Board. Additionally, a number of Board Committees have been established as detailed above. Each Director allocates sufficient time to their role in order to discharge their duties effectively. They attend Board and Board Committee meetings, ensuring they are well prepared for each meeting and have a good understanding of the business. They also complete ongoing training and meet with Executives and other colleagues within the Society, regulators and others as required. The Chair has no other significant commitments and her leadership of the Board has priority over any other business commitments she has. There have been no changes to her other commitments during the year.

The full Board met eleven times in the year. In so doing, the Board retains full and effective control over the Society, agreeing policy, strategy and taking decisions on all high-level issues which impact on the organisation whilst closely monitoring management activities.

In meeting the requirements of the Code, the Board receives regular reports from the Audit Committee, which met eight times in the year, overseeing the work of both internal and external auditors. The Risk Committee met seven times in the year. The Risk Committee ensures that the Society maintains and develops its Enterprise Risk Management Framework and considers all key risks facing the Society. All relevant issues raised by the Nominations Committee or the Remuneration Committee are dealt with at the next Board meeting. The Risk and Audit Committees liaise closely in areas where there is some degree of overlap within the remit of the Committees.

The Directors have full access to the minutes of the Committees to ensure transparency, unless it would be inappropriate to do so for example where an Executive Director's remuneration is being discussed.

Board Committee Membership During the Year:

	Risk	Audit	Remuneration	Nomination
Debra Lewis (Chair)			Member	Chair
Tony Morgan		Chair	Member	
Trevor Barratt	Chair	Member		
Roger Turner	Member	Member (until July 2021)		Member
Liz McKenzie	Member (until August 2021)	Member (Joined July 2021)	Chair	Member
William Carroll				Member
Marian Evans	Member (Joined August 2021)		Member (Joined June 2021)	
Colin Brereton		Member (Joined 24th March 2022)		

All Directors are expected to attend Board meetings. In the event of circumstances that prevent a Director from attending a meeting the Chair makes sure that any views are passed on and are heard in the meeting. Attendance at Board and Committee meetings for the year to 30th April 2022 has been recorded as follows:

Board Committee Attendance During the Year:

	Number of Meetings	Meetings attended	Notes
Trevor Barratt	11	11(11)	
William Carroll	11	11(11)	
Dawn Gunter	11	11(11)	
Iwan Jones	11	2(2)	Iwan Jones left the Society in July 2021
Debra Lewis	11	11(11)	
Liz McKenzie	11	11(11)	
Tony Morgan	11	11(11)	
Roger Turner	11	10(11)	Roger Turner absent due to daughter's wedding
Marian Evans	11	9(10)	Marian Evans joined Board in June 2021 and attended Board in May 2021 as part of her induction process
Colin Brereton	11	2(2)	Colin Brereton joined Board in March 2022 and attended Board in February 2022 as part of his induction process

The Board's Focus during the Year

During the year the Board considered the post pandemic environment and the return to a new normal, including the impact this would have on the Society, members and colleagues. Against this backdrop and an increasingly uncertain economy the Board retained a strong focus on Strategy. Strategy and its execution at pace was considered at each of the Board meetings along with the risks and opportunities facing the Society, and the wider financial services sector. In order to ensure the long-term sustainable success of the Society, the Board regularly considered stress testing and scenario analysis, finance reports, forecasts and the Society's capital and liquidity position.

The key areas of focus for the Board during the year were:

- The Society's culture and the results and actions from the Culture Survey, including interim pulse checks
- Board effectiveness and the results, and action plan from the external Board Effectiveness Review conducted by PwC
- The launch of a Payment Account
- The Community Bank launch following the announcement by the Welsh Government
- The future premises strategy to support future ways of working and agile working for colleagues.
- Operational resilience, outsourcing and third party management, including a materiality assessment
- Change management and strategic change delivery
- Climate change, climate change risk and ESG, including the Strategy refresh with an enhanced focus on ESG

Corporate Governance Report (cont)

As a member led organisation, members are a regular topic of conversation. During the year the Board focused on the difficulties members may experience in making repayments on their mortgages and other impacts on members resulting from the pandemic, cost of living increase, interest rate rises and economic uncertainty. The adequacy of the support provided to members through repayment holidays and other mechanisms was reviewed. The Board also assesses member satisfaction data and receives briefings and updates on digital and other opportunities to enhance the member experience.

The Board also considered the low returns for savers in a low interest rate environment, ensuring existing members continued to earn a competitive rate of return.

Throughout the year, the Board maintained a strong focus on colleagues and culture. Culture is a regular topic of discussion including embracing future ways of working and the results of the annual culture survey and interim pulse checks, the Speak Up policy and annual whistleblowing report. During the year the Board held a colleague AGM and town hall meetings with colleagues. The CEO regularly holds Q&A sessions with smaller groups of colleagues and colleague briefing sessions continue to be held virtually. The Board discussed ways to ensure the culture helps colleagues and members to be themselves and thrive through various diversity and inclusion initiatives.

The Society aims to contribute to wider society. In the year the Board discussed the community bank proposition, financial education, received reports on the number of hours colleagues volunteer in the community, donations from the Society's Charitable Foundation and local initiatives supported through grassroots sponsorship. Presentations and updates were received on mortgage lending for energy efficient homes, lending to support retrofit activities and decarbonisation actions.

Conflicts of Interest

Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the Society. The Company Secretary maintains a conflicts register, which is a record of actual and potential conflicts. Where a conflict may exist, or a matter concerns a Director individually that Director will absent themselves from the discussions and will not be part of the decision.

Time Commitments

The letters of appointment for Non-Executive Directors set out the minimum time commitment expected for the role. The time commitment may increase during times of significant change in the Society or the market, or when new strategies and developments are under consideration. The time commitment varies depending on whether the Non-Executive Director also Chairs a Committee in which case it can increase significantly. Prior to appointment, significant commitments are disclosed with an indication of the time involved. Additional external appointments cannot be undertaken without prior approval of the Board. No significant appointments have been entered into by any Directors during the course of the year.

Resources

The Chair supported by the Company Secretary ensures that the Board receives sufficient information to enable it to discharge its responsibilities. The Board can access the Board-approved policies, Board manual, Committee packs, minutes and other relevant information through its online Board portal.

The Board ensures that the necessary financial and human resources are in place for the Group to meet its objectives and that business and management performance is reviewed. The Directors have access to the advice of the Company Secretary and, if necessary, are able to take independent professional advice at the Group's expense. The Company Secretary and Chief Risk Officer is a matter for the whole Board. The Society has arranged appropriate insurance cover in respect of legal actions against its Directors. All Directors have access to the Society's operations and colleagues.

3. Composition, Succession and Evaluation

The Board is responsible for ensuring that appointments to the Board are subject to rigorous and transparent selection processes and effective succession plans are in place, and that the Board comprises the necessary combination of skills, experience and knowledge to meet its remit. It should consider its composition, diversity and effectiveness on an annual basis.

Appointments to the Board & Succession Planning

Appointments to the Board and succession planning are overseen by the Nominations Committee. Further detail can be found within the Nominations Committee report on page 41.

Appraisals and Effectiveness

Evaluation of Executive & Non-Executive Directors

The performance of the Non-Executive Directors is evaluated by the Chair who assesses whether the individual's performance continues to be effective and whether they demonstrate commitment to the role. The performance of the Chief Executive is evaluated by the Non-Executive Directors and the performance of the Executive Directors is evaluated by the Chief Executive. The performance of the Chair is separately assessed by the Directors and co-ordinated by the Senior Independent Director. The Chair acts on the results of the evaluation by recognising the strengths and addressing any weaknesses of the Board. Each Director engages with the process and takes appropriate action where development needs have been identified.

Throughout the year both the Executive and Non-Executive Directors were informed of key developments in the business through regular reports and updates. These are in addition to the reports and presentations that the Board and Board Committees receive as part of their formal meetings.

In 2022 the annual appraisals took place and it was concluded that each Director continues to make effective and valuable contributions to the Board and to demonstrate commitment to the role.

Evaluation of the Board

There is a formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chair and individual Directors. Every three-years the Board evaluation is externally facilitated. Evaluation of the Board considers the balance of skills, experience, independence and knowledge of the Society on the Board, its composition, diversity and how effectively members work together to achieve objectives, and other factors relevant to its effectiveness.

The Board appointed PwC, the Society's Internal Auditor, to undertake the external Board effectiveness review for the year ended 30th April 2021 and has utilised its recommendations to improve performance. The next external review will be undertaken in 2024. The 2021 PwC Board Effectiveness review concluded that the Board and its sub-committees were operating effectively.

The Chair and Secretary act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board through an action plan. Each Director engages with the process and takes appropriate action where development needs have been identified.

Internal performance reviews are undertaken on an annual basis by the Board and all Committees in the intervening years between the external review. In 2022 an internal Board effectiveness review took place, coordinated by the Company Secretary, and built on recommendations from the previous year's internal and external evaluations.

The review found that the Society has an appropriate and effective board structure and corporate governance framework in place.

Audit, Risk and Internal Control

The Board is responsible for establishing policies and procedures to ensure the independence and effectiveness of its three lines of defence and satisfy itself as to the effectiveness of the internal control environment operating within the Society.

In an environment of increasing legal and regulatory requirements there has been increasing complexity and volume on the Board's agenda which is reflected

Corporate Governance Report (cont)

in an increased focus on governance, risk and the control environment.

The Board continues to focus on strengthening the control environment through the Enterprise Risk Management Framework and being kept regularly appraised of regulatory changes, developments and emerging risk themes through regular horizon scanning activity.

The Board receives regular reports on changes to legislation, regulation and best practice to ensure it remains up to date with developments and the Society can react to the significant volume of these changes within an ever-challenging market.

Remuneration

The Board is responsible for ensuring the Society's remuneration policies and practices support the strategy and promote the long-term sustainable success of the Society. The Board has established a Remuneration Committee with delegated authority to consider these matters. Further detail can be found within the Remuneration Committee report on page 50.

Audit Committee

Membership of Committee

The Code requires the majority of members of an Audit Committee to be independent Non-Executive Directors. The Committee complies with this requirement and comprises solely independent Non-Executive Directors. The Committee meets a minimum of 4 times a year.

Audit Committee Membership	Position	No of Meetings	No of Meetings attended
Tony Morgan	Chair	8	8
Trevor Barratt	Member	8	8
Liz McKenzie (from 21 July 2021)	Member	4	4
Roger Turner (until 21 July 2021)	Member	5	3
Colin Brereton (from 24 March 2022)	Member	1	1

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. The Chair of the Committee is a Chartered Accountant with significant recent and relevant accounting and audit competence. The Committee as a whole has competence relevant to the financial services sector.

The Committee has reviewed the collective skills of members and concluded that the balance of skills, knowledge and experience of the Committee is appropriate.

Role and Responsibilities

Committee Role

The role of the Committee is to consider all audit related matters, in particular, to review the Society's financial reporting arrangements, the effectiveness of its internal controls and its risk management framework; and the internal and external audit processes. Through the Committee the Board has established 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 the published information in the Annual Report and Accounts and Summary Financial Statement. The Committee met 8 times during the financial year. The Committee reports to the Board on its activities and makes recommendations to the Board. The key responsibilities of the Committee are set out below together with examples of how it discharges its duties.

Key Committee activities and decisions in the year

Overview

In performing its role the Committee has reviewed matters related to financial reporting and internal control.

In terms of judgements related to financial reporting, these are broadly unchanged from the year ended 30th April 2021, other than removal of the impairment provision held in respect of COVID-19, and greater prudence taken in respect of the heightened pressure on the cost of living being observed in the spring of 2022.

The Committee has received reasonable assurance, including through Internal Audit and other expert reports, and also through the results of ongoing controls assurance testing, that no material breaches in the Society's internal controls have arisen during the year.

Audit Committee (cont)

Key areas of focus	
Financial Reporting	• Monitoring the integrity of the Society's financial statements and reviewing critical accounting policies, judgements and estimates. • Reviewing the appropriateness of the going concern basis for preparing the accounts. • Providing advice to the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to understand the Society's position, including performance, business model and strategy.
External Audit	• Reviewing the continued objectivity and independence of external audit, including the level and appropriateness of non-audit services. • Considering the appointment, removal, performance, remuneration and Terms of Engagement of the external audit firm. • Considering the planning, scope and findings of the annual external audit, the receipt of, and responses to, the auditor's management letter and reviewing the degree of liaison with internal audit. • Reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements.
Internal Controls and Risk Management	• Reviewing the adequacy and effectiveness of the Society's internal financial controls and internal control and risk management framework in conjunction with reviewing reports produced by internal and external audit. • Reviewing the statements to be included in the Annual Report concerning internal controls and risk management.
Internal Audit	• Considering and approving the strategic and annual plans of work. • Considering management responses to recommendations. • Monitoring and evaluating the effectiveness of internal audit. • Considering the appointment, removal, performance and remuneration of the internal audit firm.

These key areas of focus are described in further detail below.

Financial Reporting

The Committee considered the following significant accounting judgements and estimates in light of the reports received from external auditors, and discussions with external auditors and management. More detail on the principal judgements and accounting estimates is set out in Note 1 to the accounts:

Allowance for impairment losses on loans and receivables

Determining the appropriateness of impairment losses involves judgement and requires management to make a number of assumptions around default rates, likely asset recoveries and other factors. The loan loss impairment provisions recorded by the Society as at 30th April 2022 were £0.87m (2021: £1.5m).

The Society makes provisions against loans may have suffered impairment as at the balance sheet date but not yet defaulted in accordance with FRS102. This involves making assumptions about default rates, emergence periods and loss given default rates.

The estimated loan loss provisions in the current year have had to take into account the potential impacts of the "affordability crisis" resulting from rising inflation, including energy costs. This is because under the relevant accounting standard (FRS 102), the affordability crisis is considered to provide observable data of adverse economic conditions and therefore objective evidence that loans could be impaired. Management has produced a series of forecast scenarios to reflect the potential impact of high inflation on mortgage customers' ability to pay, and therefore the potential impairment losses based on these scenarios. Consideration has been given to borrowing members' capacity to absorb rising costs generally, but with particular emphasis on properties with lower energy efficiency. On this basis, management has made a provision for potential impairment losses based on information available up to the date of approval of these accounts.

The rises in energy costs in particular which have started to take effect from the spring of 2022, are unprecedented for the Society's borrowing members. It is likely that, at 30th April 2022, the ability of some members to continue to pay their mortgage will have been immediately impacted, although it may be a number of months before the Society becomes aware of these impaired loans. As a result, the provisions made may prove to be over-or-under-estimated depending on borrowers' capacity to absorb rising costs, any mitigation introduced by the Government and other factors as compared to estimates made by management.

The Committee considered and challenged the provisioning methodology applied by management, including the results of statistical loan loss models to support the impairment provisions.

Whilst at the last year end, the Committee supported an impairment provision in relation to the potential impact of COVID-19, this is no longer judged to be a material source of impairment or future uncertainty. Consequently, there is no longer a loan loss provision specifically in respect of COVID-19.

Effective Interest Rate

Interest income under FRS102 is required to be recognised on an effective interest rate basis, which requires the inclusion of all directly attributable cashflows to mortgage products to be recognised over the product's behavioural life.

To implement effective interest rate accounting, management are required to make significant judgements and estimates.

The Committee challenged the key judgements made by management concerning the behavioural life estimates of current mortgage products.

The Committee was satisfied that the estimates were reflective of the Society's current mortgage book behaviour, but also considered future trends of customer retention, and the length of time customers were likely to continue with SVR mortgages at the end of product lives.

Retirement Benefit Obligations

The Society makes significant judgements principally in calculating the present value of the retirement benefit obligations. The major assumptions are in respect of mortality, price inflation, discount rates, pension increases and earnings growth. The pension scheme net liability recorded at 30th April 2022 was £2.3m (2021: £3.9m).

The Committee considered the assumptions used by management in relation to benchmark information received from our actuaries. The Committee concluded that assumptions used to calculate the pension liability were reasonable and that our advisers are competent to perform the actuarial calculations concerned.

The committee also considered the assumptions used by management relating to costs expected to be incurred in relation to the rectification of the scheme, as detailed in Note 20, and concluded that these were appropriate.

Impairment of Fixed Assets

Management considered whether the carrying value of the Society's Head Office building (£3.1 million) was impaired. This involved judgements about the value in use of that building, in particular around cash generating units, forecast future cashflows and the appropriate discount rate to be applied to those cashflows in order to determine recoverable amounts.

An independent valuation of the building was carried out during the year and the carrying value of the Society's Head Office Building was identified as being impaired. The valuation confirmed a value of £2.5m for the building. The Committee is satisfied that a write down of £0.6m is required to reduce to current carrying value in the Group of £3.1m.

Derivatives and Hedge Accounting

The Society adopts hedge accounting in accordance with FRS102 where it uses interest rate swaps to hedge the risk of changes in interest rate risk affecting its fixed rate mortgage and savings portfolios. This reduces the volatility through the Income Statement from valuations of the swaps. The

Audit Committee (cont)

net fair value ascribed to the swaps and underlying assets and liabilities they are hedging is £22.6 million (2021: £(4.6m)).

The Committee considered the appropriateness of the hedging arrangements and processes and concluded that they had been applied in accordance with FRS102.

Investment in Mutual Vision (MVT)

The Society holds a shareholding of circa 34% in Mutual Vision, which provides a number of software solutions to the Society and 21 other Building Societies, including Pro-Vision, the core savings and loans platform. In accordance with FRS102 the Society is required to consider whether the investment in MVT should be reflected as an investment at cost, or as an associate of the Society and therefore equity accounted.

MVT's Board includes 3 independent Non-Executive Directors and no Director or employee of the Society holds a position on the MVT Board. The Society is entitled to attend a shareholder forum, in which shareholding members are entitled to 1 vote. The forum reports through to the Board, but ultimate decisions are taken by the MVT Board, which is now wholly independent. For major decisions such as structural changes, the shareholder agreement states that a shareholder majority is required of 75% of issued A shares. Whilst the Society has the ability to veto decisions, given its 34% shareholding, the Society has never acted upon this and has no intention of doing so. Mutual Vision is a common platform used by a number of other Building Societies, and since the intention of the holding is not to hold or demonstrate significant influence in key decision making but to ensure that the development of the system is beneficial to all shareholders regardless of the size of the holding and ensuring that best outcomes for the end users is reached it can be clearly seen that, despite its shareholding, the Society has not exercised significant influence over the company.

The Committee has considered the appropriateness of continuing to account for the investment in MVT as an investment at cost, rather than as an associated company. The Committee is satisfied that it remains appropriate to account for MVT at cost in the Society's balance sheet on the grounds of principle and materiality.

Accounting Policies

The Committee examined the Society's accounting policies to ensure they are appropriate and applied consistently. They also confirmed that the policies are in line with applicable Accounting Standards. The Committee considered whether the 2022 Annual Report, when taken as a whole, is fair, balanced and understandable, and whether it provides the necessary information for members to assess the Society's position, performance, business model and strategy. The Committee is satisfied that the 2022 Annual Report meets this requirement, and, in particular, that appropriate disclosure has been included for both positive and negative developments in the year. In June 2022, the Committee recommended the approval of the final 2022 Annual Report and Accounts to the Board.

Internal Audit

Internal Audit is outsourced to PwC. During 2021/22, the Committee monitored the effectiveness of Internal Audit and the Internal Audit programme, approved the audit plan and budget, and confirmed that appropriate resources were in place to execute the plan effectively.

In the year ended 30th April 2022, Internal Audit carried out a significant number of audits of varying size and complexity. The findings from each individual review are presented to the Audit Committee including management responses. The Audit Committee considers the adequacy of management responses and the implications of significant findings on the effectiveness of the overall internal control system and the Enterprise Risk Management Framework. The Audit Committee also monitors progress against actions raised and agreed in response to findings generated from the audits undertaken.

During the year internal audit reports were received on a wide range of subjects, including the following:

- ALCO Pack MI
- Anti-Money Laundering / Corporate Customer Know Your Customer
- Arrears Management
- Board Effectiveness
- Corporate Culture
- Strategy and Planning
- Enterprise Risk Management Framework
- General Data Protection Regulation (GDPR)
- Project Management Office & Change Management (Split over two phases to assess design and implementation)
- Procurement & Supplier Management
- Mortgage Conduct of Business (MCOB 11)

Internal control and risk management

Details of the risk management systems in place are provided within the Risk Management Report on pages 53 to 60. The information received and considered by the Committee provided reasonable assurance that during the year ended 30th April 2022 there were no material breaches of control or regulatory standards and that, overall, the Society maintained an adequate internal control framework.

External audit

The Audit Committee is responsible for assessing the effectiveness of the annual audit process, for monitoring the independence and objectivity of the external auditor and for making recommendations to the Board in relation to the appointment of the external auditor. Both the Board and the external auditor have safeguards in place to protect the independence and objectivity of the external auditor.

The current external auditor is BDO who were appointed in 2020 following a competitive tender.

The Society has a policy for the use of external auditors for non-audit work. The Society would not consider the appointment of the external auditor for the provision of other services that might impair independence.

During the year, BDO performed an audit of the Society's use of the Term Funding Scheme with additional incentives for SMEs (TFSME). No other non-audit services have been provided during the year by BDO.

Looking ahead

The Committee will continue to monitor key areas of judgement by reference to internal and external data and best practice. The Committee will also continue to monitor the Society's system of internal control through reports received from management and from Internal Audit.

Climate change-related reporting is expected to continue to develop over the coming years and the Audit Committee will ensure that the Society's annual report and accounts meet requirements and also reflect the Society's focus on this important area.

Committee Effectiveness

In May 2021, following an External Board Effectiveness review, PwC concluded that the Board and its sub-committees were operating effectively. The Committee has determined that a report could be made to the Board that the Committee continued to operate effectively in discharging its responsibilities during the year.

Tony Morgan

Chair of the Audit Committee

15th July 2022

Nominations Committee

A majority of members of the Committee are independent Non-Executive Directors. The Committee meet a minimum of two times a year. The Committee met three times in the financial year and had 100% attendance. There were no changes to membership during the year

The Chair of the Board does not Chair the Committee when it is dealing with the appointment of her successor. A sub-committee of the Nominations Committee was established to lead the search for the next Society Chair. Marian Evans chaired the Chair Succession Committee which comprised a majority of Non-Executive Directors and the CEO. The Chair Succession Committee met twice in the year.

Members of the Committee	Position	No of Meetings	No of Meetings attended
Debra Lewis	Chair	3	3
Roger Turner	Member	3	3
Liz McKenzie	Member	3	3
Will Carroll	Member	3	3

Role and Responsibilities

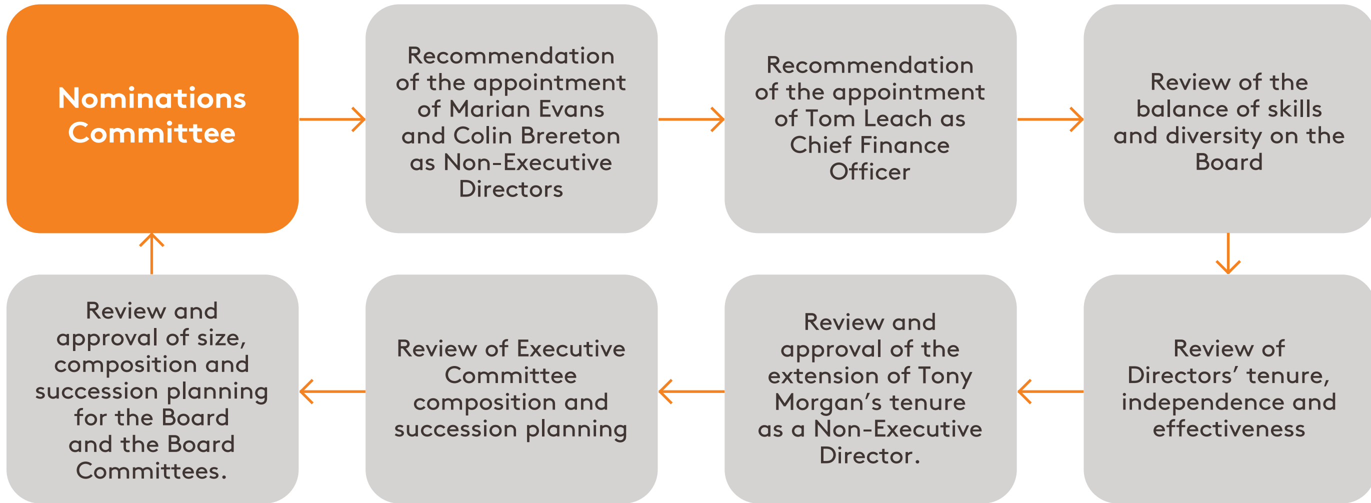
Committee Role

The Committee is responsible for leading the process for appointments, ensuring plans are in place for orderly succession to both the Board and senior management positions, and oversees the development of a diverse pipeline for succession. The Committee adopts a continuous and proactive process of planning and assessment, taking into account the Society's strategic priorities and the main trends and factors affecting the long-term success and future viability of the Society.

Committee responsibilities
1 - Ensuring that the Board and its Committees have the capabilities required to be effective and oversee the Society. This will include an appropriate range and balance of skills, experience, independence, knowledge and behaviours.
2 - Considering the length of service of the Board as a whole and that the membership is regularly refreshed.
3 - Identification and recommendation of candidates for Board approval.
4 - Reviewing Committee membership to ensure it is progressively refreshed and that undue reliance is not placed on particular individuals.
5 - Reviewing the Senior Managers and Certification Regime Responsibilities Map.
6 - Considering succession planning for members of the Board and senior management in the course of its work, taking into account the challenges and opportunities facing the Society, its leadership needs and what skills and expertise are therefore needed on the Board in the future.
7 - Reviewing the leadership needs of the Society, both Executive and Non- Executive, with a view to ensuring the continued ability of the Society to perform effectively in the marketplace.
8 - Focusing on the oversight of a diverse pipeline for succession.

The full terms of reference for the Committee can be found at: www.monbs.com

Key Committee activities and decisions in the year



Key areas of focus

Changes to the Board

The Committee ensures the Board and its committees have a combination of skills, experience and knowledge. Consideration is given to the length of service of the Board as a whole and membership is regularly refreshed.

In the year the Society welcomed two new Non-Executive Directors to the Board following a formal, rigorous and transparent selection process. The Committee led the search and oversaw the appointment of Marian Evans and Colin Brereton. These Non-Executive Director appointments have brought new and diverse perspectives to the Board and further enhanced its composition and effectiveness.

Marian was selected for the role following her demonstration of a clear understanding of the sector, mutuality and the Society, her Welsh affiliation, extensive commercial background and breadth of experience. She is a qualified Chartered Insurance Practitioner and Broker and a qualified Executive Coach and Mentor. She brings to the Board 18 years' experience in the financial services and property investment sector at all levels of business from grass roots up to strategic and advisory.

Colin has a wealth of experience in business, accountancy and audit matters, and significant experience in remuneration. He was identified as the successor to Tony Morgan as Chair of Audit Committee. Colin has recent and relevant financial services experience through his advisory work and having audited some of Britain's largest companies and led financial due diligence for international mergers and acquisitions. He is a member of the Institute of Chartered Accountants in England and Wales, and he is a Fellow of the Association of Chartered Certified Accountants.

The Committee were pleased to be able to identify strong internal successors for the next Chair and Senior Independent Director. A Chair Succession Committee was set up to lead the search for Debra Lewis' successor, which was chaired by Marian Evans. The Committee recommended the appointment of Roger Turner as Chair of the Board and the Committee (subject to regulatory approval) on Debra's retirement. Marian Evans will take over from Roger Turner as Senior Independent Director (subject to regulatory approval) on conclusion of the AGM.

Following the resignation on 31st July 2021 of Iwan Jones, as previously reported, the Committee led the search for the Chief Finance Officer. Tom Leach will join the Board in July and take over from Interim Chief Finance Officer, Julian Bill, who during this period provided excellent support as a member

Nominations Committee (cont)

of the Society's Executive team. Tom has worked in financial services for 20 years, most recently as Finance Director at Bath Building Society.

The Society used Miles Advisory and Seymour John to support the Committee in the search for external candidates. Neither firms have any connections to the Society or any of the Directors other than to provide searches for talent. The Society openly advertised the Chief Financial Officer role.

The Committee regularly reviews the selection and appointment process and agreed that the whole Board should have the opportunity to meet potential candidates.

When making new appointments, the Committee will take into account other demands on Directors' time. Prior to appointment, significant commitments are disclosed with an indication of the time involved. Additional external appointments require the prior approval of the Board.

Succession Planning

The role of the Committee also includes succession planning for senior management (as well as Board positions) and the need to develop a diverse pipeline for succession. During the year the Committee considered succession plans for the Board and senior management. Like appointments, succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. A key focus of the Committee during the year has been to continue the enhancements made to the succession plans for the Non-Executive Directors and Executive team.

The Society's succession plans are documented and consider the following three time horizons:

- contingency planning – for sudden and unforeseen departures;
- medium-term planning – the orderly replacement of current Board members and senior executives (e.g. retirement); and
- long-term planning – the relationship between the delivery strategy and objectives to acquire the skills needed on the Board now and in the future.

During the year two new Executive roles were created. The roles were filled with current senior managers to further strengthen and enhance the effectiveness of the Executive Committee.

Board and Committee Composition

The Committee is responsible for keeping the skills, experience and knowledge of the Board and its Committees under review for the long-term success of the Society. The Committee uses a skills matrix to identify competencies, skills and experience within the Board which informs new appointments and determines a timeline for proposed appointments to the Board. The Non-Executives undertake a self-evaluation annually against these skills so that any gaps in skills and knowledge on the Board can be identified and action taken to address the skills gap through additional training or the recruitment of a Non-Executive with expertise in that particular area. The Committee recognises that there are some areas of expertise that the Board would not generally deal with such as a very specialist area or constantly evolving discipline. In these cases, external advice is sought from specialists in that particular area or subject matter experts are brought in to provide training for the Board.

The Committee uses a set of criteria regarding experience and personal qualities, based on the strategy, and agrees the skills and experience required for potential candidates.

A number of longer serving Non-Executives were due to retire and in order to manage a robust and orderly succession plan, the Committee recommended that Tony Morgan remain on the Board as a Non-Executive Director for a further year to ensure continuity. The Committee believes that Tony's contribution to the Board remains of value due to his experience of the Society and the sector along with his breadth of knowledge on audit and accountancy matters, which will assist with a smooth transition on the Board.

Non-Executive Director Independence

Consideration is given to the length of service of the Board as a whole and membership is regularly refreshed. The appointment for an additional year will take Tony Morgan's tenure beyond the nine year period. Therefore, the Committee undertook a rigorous review of his independence, having served as a Non-Executive Director for eight years. Following consideration of the factors in Provision 10 of the Code which may impair independence, the Committee agreed that Tony continued to demonstrate independent character and judgement and was free from relationships or circumstances which may affect, or could appear to affect, his judgement.

The Committee and the Board deem all of the Non-Executive Directors to be independent including the Chair.

Diversity and Inclusion

The Society wants to create an environment where our members, the communities we work in, our partners and our colleagues can be themselves. The Society believes in creating a culture where everyone is treated equally and with the same attention, courtesy and respect.

The Board and the Committee is committed to having a diverse membership, made up of individuals with different skills, knowledge, experience and values to ensure effective decision making and robust challenge. The Board believes that different perspectives and ideas that diversity of thought bring are essential to reduce the risk of groupthink and improve governance.

Appointments to the Board are based on merit and objective criteria, taking account of the specific skills and experience, independence, and knowledge needed to ensure a well rounded Board composition that can enhance business performance. The Committee will consider candidates from a diverse range with regard to gender, social, cognitive and ethnic backgrounds. The Committee reviews annually the Board Diversity Policy.

The Board is supportive of the recruitment, development and retention of talented women at all levels of the Society. The Committee is committed to ensuring women are represented at all levels in the Society and this is reflected in the current number of women on the Board, in the Executive and within management. The Board of the Society is comprised of 43% women, the Executive team ratio is 43% women and the percentage of women in senior management is 38%.

The Committee have previously debated setting targets for gender diversity. The Committee agreed that they were committed to embracing diversity and promoting equality of opportunity in all its forms and not just with respect to gender equality and therefore targets are not deemed appropriate. They agreed that appointments should continue to be made on merit and the skills and experience the individual can bring to the Society. The Committee have no concerns that a good gender balance is not reflected through the business at senior levels.

Training and Development

The Committee supports the Chair and Secretary in developing inductions for new Directors to address any gaps in skills or experience. Through an assessment of the skills and experience on the Board and effectiveness reviews, the

Nominations Committee (cont)

Committee also identifies areas for ongoing training and development of the Board.

All induction sessions are tailored to the individual. Colin Brereton was the most recent Director to join the Board. Colin's induction comprised four stages which included attendance at a number of Board and committee meetings, various pre-reading and meetings with subject matter experts. The main topics included:

- The operation of the Board
- The Society's strategy and structure
- Constitutional, regulatory and governance matters
- Regulatory engagement
- Audit Committee structure and remit
- Internal and External Audit
- Risk and Compliance
- Finance including Treasury and Financial Control
- Operational matters including distribution, marketing and IT
- Culture, Remuneration and workforce matters
- The Risk and Remuneration Committees structure and remit

New Directors have a one-to-one session with the chairs of all committees and have regular sessions with the Society Chair. At Colin's request, additional sessions were arranged with colleagues to obtain an even greater understanding of the business.

The Board enhances its knowledge of the business though Board briefings, deep dives and business area reporting. The Board also receives updates from subject matter experts around the business such as Compliance, Risk, IT, Financial Crime and HR. The Committee reviews the skills and experience on the Board and discusses the areas identified, agrees where there are any knowledge/training gaps and how these will be filled. In May 2021 the areas identified were:

- Climate change
- Sustainable building practices
- Marketing, PR and Digital Media
- Community affiliation, regional knowledge and community initiatives
- Digital technology

To address these areas the following actions have taken place:

- A number of sessions have been held on Climate Change covering the environment and climate change issues, and Climate Change Risk at Board and Risk Committee.
- A session was held on sustainable building practices covering Green Mortgages and the retrofitting of homes.
- A separate training session was arranged on public relations with the Society's PR firm, Deryn.
- Marian Evans joined the Board. She has a strong Welsh affiliation and is a Welsh speaker.
- Community initiatives are covered in Executive briefing sessions, which colleagues and the Board are invited to join, and outlined in Board reports at each meeting.
- The Society welcomed its first Board Observer role as part of a Boardroom Ready programme for a 12 month period. The initiative matches senior executives with boards of non-conflicting companies, to give them real commercial boardroom experience. The senior executive is matched with a Board looking for their particular skillset for 12 months. The Executive gains exposure to the realities of the boardroom, and the host Board benefits from market and industry expertise. The Society currently has a senior executive who has expertise in marketing.
- The Head of IT has attended the Risk Committee to provide updates on aspects of IT and Cyber Security.

Further training topics for the year included:

- Fund Transfer Pricing and the Pricing Policy
- Data Protection
- Change Management and Delivery within the Society
- Reserves Hedging and Reporting
- ICAAP Stress Test Model
- The New Consumer Duty

The Board also attended a session on operational resilience which focused on the Society's approach and regulatory expectations in this area. Deep dives were held on People Risk.

Members of the Board make regular visits to various branches and offices of the Society to engage with the workforce.

Board Effectiveness

Annual evaluation of the Board considers its composition, diversity and how effectively members work together to achieve objectives.

In 2021 an external review of effectiveness was undertaken by PwC which concluded the Committee was operating effectively. In 2022 the Committee undertook an internal effectiveness review which concluded that the Committee was operating effectively.

The Committee is responsible for reviewing the Action Plan resulting from the recommendations from the annual evaluation of the performance of the Board and tracking progress made against this.

The Committee keeps under review the role profiles and job descriptions for the Non-Executive and Executive Directors and the responsibilities map setting out individual responsibilities for those who hold senior management functional responsibility under the Senior Manager and Certification Regime.

The Committee annually reviews the Conflicts Register to ensure there are no potential or actual conflicts that could affect a Director's ability to act in the best interests of the Society.

Election and Re-election of Directors

All Directors are subject to an annual performance evaluation which demonstrates whether each Director continues to contribute effectively. Following the latest evaluation, the Board supports the Committee view that all Directors continue to be effective and contribute to the Society's long-term sustainable success. In accordance with the Code, all Directors other than Debra Lewis (who is retiring from the Board), will submit themselves for election or re-election at the AGM and are unanimously recommended for approval by the Board for election or re-election as appropriate.

Looking ahead

Over the coming year, the Committee will:

- Continue to consider the skills needed on the Board and whether these are best supplemented by external support, such as IT and technology skills.
- Keep under review developments around diversity and inclusion.
- Oversee a smooth transition between Debra Lewis and Roger Turner as Chair.
- Oversee changes to committee membership and keep the composition, skills and experience under review.

Committee Effectiveness

As required by the Corporate Governance Code, an annual review of the Committee's effectiveness was undertaken during the year. The Committee determined that a report could be made to the Board that the Committee was operated effectively in discharging its responsibilities during the year.

Remuneration Committee

Membership of Committee

The Code requires the majority of members of a Remuneration Committee to be independent Non-Executive Directors. The Committee complies with this requirement and comprises solely independent Non-Executive Directors. The Committee's Chair, Liz McKenzie, has considerable experience in Remuneration and HR matters and as a Non-Executive Director. The Committee is comprised of Non-Executive Directors who provide a balanced and independent view on remuneration matters. Marian Evans joined the Committee in April 2021.

The Committee meet a minimum of four times a year.

	Position	No of Meetings	No of Meetings attended
Liz McKenzie	Chair	6	6
Debbie Lewis	Member	6	6
Tony Morgan	Member	6	5
Marian Evans	Member	4	4

Committee Role and Key Responsibilities

The primary responsibility of the Committee is to determine the general remuneration policy of the Society and specifically the remuneration of the Board Chair and the remuneration of the Executive Directors including pensions and any incentive payments. The remuneration of Non-Executive Directors is determined by the Chair based upon a recommendation from the Executive Directors and does not include any performance related elements.

The Remuneration Committee reviews Executive Directors' remuneration annually to ensure that it is reflective of the time commitment and responsibilities of the role and is sufficient to attract, retain and motivate Directors whilst balancing Society finances and supporting the long-term success of the Society.

The Committee exercises independent judgement and discretion when determining remuneration outcomes, ensuring that remuneration is consistent with the Society's values, performance and strategic objectives. The Committee has responsibility for approving the Society's Remuneration Policy.

The Committee is supported by the Board Risk Committee on risk-related matters including the assessment of specific performance measures for incentive schemes and wider issues relating to risk and controls. A member of the Committee (Marian Evans) is also a member of the Risk Committee, this ensures good interaction with the Risk Committee and its role in undertaking oversight of any potential conduct risks that might arise from the bonus incentive schemes in operation across the Society.

Key Committee activities and decisions in the year

Remuneration Policy and Purpose

The Committee reviewed and approved the Remuneration Policy in the year. Our Remuneration Policy aims to align Executive remuneration with the delivery of the Board's strategy of achieving long-term sustainable mortgage growth, as outlined in the Strategic Report. When considering the remuneration policies and practices, the Committee seeks to ensure that they reward talented employees, drive the right behaviours and support our strategy, promoting the long-term success of the business.

Approach to Pay

Following the Committee's decision last year to focus upon paying colleagues the market rate for their roles, during this year all roles within the Society have been benchmarked to ensure they are being paid at the appropriate market rate. Pay reviews take place in July each year and consider increases in cost of living, colleagues were awarded a 2% increase in July 2021. In recognition of unprecedented times and the pressures of cost of living increases which were being felt by colleagues and their families, in addition to the July pay review, the Committee approved a payment of £1,000 per colleague which was made in April 2022 to help alleviate some of these pressures.

Incentive Scheme

A bonus scheme was reintroduced for this financial year, this bonus is discretionary and conditional upon Society performance. Colleagues are able to earn up to 10% of salary and Executives can earn up to 20% of basic salary depending on performance against individual objectives, behavioural role modelling and overall Society performance. The scheme is designed with the long term success and sustainability of the Society in mind, with overall performance objectives fully aligned with the relevant year of the revised 5-year strategic plan based on a balanced scorecard as set out below:

Member	Collegue
Member Satisfaction Members Holding Multiple Products Digital Adoption	Colleague Development Provision of Apprenticeships Colleague Wellbeing
Environmental and Social	**Financial**
Products Supporting Green Initiatives Community and Charity Engagement Green Lending	Cost Efficiency Net Mortgage Growth Net Interest Margin

Bonus awards given under all Society bonus schemes are at the discretion of the Remuneration Committee and can be deferred or withheld if necessary, in appropriate circumstances. The Committee proposes to continue with a bonus scheme for the 2022/23 financial year with a similar approach and refreshed objectives with a continued focus on Environmental, Social and Governance (ESG) factors, including climate change.

Remuneration Committee (cont)

Total Reward Approach

The Committee recognises that rewarding Society colleagues goes beyond basic pay and during the year the Society introduced a total reward approach which encompasses five elements and a holistic view of reward as set out below. This year the Society enhanced the colleague benefit package with the introduction of funded critical illness cover and dental insurance as well as the option to purchase additional benefits such as health cash plans and a 'cycle to work' scheme. Engagement with the Society's Colleague Forum was key to the success of these benefit enhancements as the Forum sought feedback from employees and discussed this at forum meetings to feed into the project.

- **Pay Approach** - We pay our colleagues fairly and competitively for their roles according to their knowledge, skills and experience. We are consistent and transparent in applying our reward policy.
- **Health and Wellbeing Approach** - We create a working environment where colleagues can be productive, comfortable, happy, and healthy inside and outside of work.
- **Benefits Approach** - We offer our colleagues a suite of competitive benefits to appeal to colleagues across the stages of the their careers. We regularly review the choice of benefits to ensure they are relevant and that they meet the diverse needs of our colleagues and potential colleagues.
- **Colleague Development Approach** - We offer opportunities for colleagues to develop their skills and competencies, support those who demonstrate the capabilities and desire to work towards promotion and support the attraction and retention of talented colleagues.
- **Recognition Approach** - We thank, recognise and celebrate colleague contributions which align with our values, culture and strategic aims.

Gender Pay Gap and CEO Pay Ratios

Whilst not legally required to disclose gender pay information as an employer with under 250 people, the Committee reviews these annually and has developed an action plan for enhancement. This is not only gender focused but also considers ethnicity, disability, inspiring young people and overall attraction and retention of a diverse workforce that is representative of the communities we serve.

Directors' Remuneration Report

Looking ahead

The Committee will have a continued focus on providing a total reward approach for Society employees that attracts and retains talented people. The Society's Colleague Forum will continue to be engaged and provide feedback to the committee on workforce policies and remuneration to understand the wider employee perspective along with culture and engagement with colleagues. The Committee will also focus on the diversity and inclusion impacts of our remuneration policies and practices and further development of our diversity action plan.

Remuneration Committee Effectiveness

As required by the Corporate Governance Code, an annual review of the Committee's effectiveness was undertaken during the year. The Committee determined that a report could be made to the Board that the Committee was operated effectively in discharging its responsibilities during the year.

Our 2021/22 Report includes the key disclosure requirements of the Code and complies with the regulatory requirements including, in particular, the FCA's Remuneration Code.

Directors' Remuneration Report

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:

Individual Directors' Emoluments

2022	Fees & salary	Performance related incentive scheme	Pension contribution	Taxable benefits	2022 Total	2021 Total
Non-Executive Directors:	£000	£000	£000	£000	£000	£000
D R Lewis	57	-	-	-	57	57
T Barratt	39	-	-	1	40	39
CI Brereton (appointed 24.03.22)	9	-	-	1	10	-
M Evans (appointed 24.06.21)	31	-	-	-	31	-
L McKenzie	35	-	-	-	35	34
A D Morgan	39	-	-	-	39	39
R D Turner	35	-	-	2	37	33
Executive Directors:						
W J Carroll	204	23	37	11	275	263
D M Gunter	153	20	28	11	212	201
I J Jones* (resigned 31.07.21)	167	-	25	7	199	192
	769	**43**	**90**	**33**	**935**	**858**

* I J Jones resigned as a Director on 31st July 2021. The amount shown above includes £117k of contractual payments following his resignation.

Directors' Remuneration Report

Individual Directors' Emoluments

2021	Fees & salary	Performance related incentive scheme	Pension contribution	Taxable benefits	2021 Total	2020 Total
Non-Executive Directors:	£000	£000	£000	£000	£000	£000
D R Lewis	57	-	-	-	57	57
T Barratt	39	-	-	-	39	44
N Hingorani-Crain (resigned 11.11.20)	19	-	-	-	19	33
L McKenzie	34	-	-	-	34	35
A D Morgan	39	-	-	-	39	40
R D Turner	33	-	-	-	33	41
Executive Directors:						
W J Carroll	202	16	34	11	263	247
D M Gunter	151	15	24	11	201	186
I J Jones	148	6	27	11	192	186
	722	**37**	**85**	**33**	**877**	**869**

Only the table and emoluments are audited in the Remuneration Report.

Loans to Directors

At 30th April 2022, one Director (2021: one Director) or persons connected with Directors had mortgage loans granted in the ordinary course of business totalling £529k (2021: £545k). 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 AGM, 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 basic salaries, pensions and other benefits, including an incentive scheme designed to recognise the achievement of corporate objectives, and, for the Chief Executive and Chief Operating Officer, a strategic longer term incentive scheme focused on Society growth. Payments made as a result of the incentive schemes are not pensionable.

Directors' 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.

Directors' Incentive Scheme

For the year to 30th April 2022, the scheme for Executive Directors was designed to deliver a maximum award of up to 20% of basic salary, following finalisation of the accounts. The annual incentive scheme is linked to key corporate performance measures such as the achievement of financial targets (e.g. in relation to growth and efficiency), combined with demonstration of appropriate behaviours in line with the Society's performance management process.

Directors' Pensions and Other Benefits

In line with the UK Corporate Governance Code the Society has aligned Executive pension contributions with the workforce during this year. Executive Directors now receive the same percentage contributions as all employees as contributory members of the Society Stakeholder pension scheme. Executive Directors are eligible to receive other optional taxable benefits including a car and healthcare provision.

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 Chairs to reflect their increased responsibility. The level of fees is regularly compared with fees for Non-Executive Directors' remuneration in comparable organisations.

Liz McKenzie
Remuneration Committee Chair
15th July 2022

Risk Management Report

Risk Overview

The Society recognises that risk is inherent in the delivery of the Board's member-led strategy. Whilst these risks can never be eliminated entirely, through effective risk management they can be mitigated to levels aligned to our risk appetite. The Board has agreed a risk appetite that establishes the amount of risk acceptable to the business in pursuit of its strategy, helping the Society achieve sustainable growth and serving the best interests of our members and customers. This is kept under review as our operating environment may change.

The Board is responsible for establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of primary risks the Society is willing to take in order to achieve its long-term strategic objectives, ensure operational resilience and make effective risk-based decisions. The Board meets these responsibilities by ensuring an effective risk management framework is in place, using that framework to promote a risk aware culture that ensures all material risks are identified and mitigated in the pursuit of strategic objectives. The Board reviews the Enterprise Risk Management Framework and Risk Appetite statements annually.

Risk Culture

Our risk culture underpins how our colleagues approach their work and guides decision making. It is the responsibility of the Society Chair and of the Board to ensure that a sound culture is embedded throughout the Society and all colleagues feel able to 'speak up'. The Society's risk culture is expressed through the attitudes and behaviours demonstrated by all colleagues regarding risk awareness, risk taking and risk management. The Board has created an environment for colleagues where integrity, ownership, accountability, customer interests and respect are at the heart of the Society's objectives, values and business practices.

The first line of defence:

- retains overall accountability and ownership of risks;
- is responsible for:
    - implementing the requirements of the ERMF, including the identification, measurement, assessment, monitoring, control and mitigation of their risks; and
    - promoting and reinforcing a sound risk culture.

The second line of defence:

- provides support, oversight and challenge to the first line;
- reports directly through governance committees, including the Board; and
- is responsible for:
    - the design and administration of the ERMF and assuring its successful implementation in the first line;

The third line of defence:

- is the Society's internal audit team; and
- provides independent assurance over the design, appropriateness and effective operation of the systems of internal control implemented by the first two lines of defence throughout the business.

Enterprise Risk Management Framework (ERMF)

The Society's ERMF has established a formal, consistent process for the identification, prioritisation and management of risk. The Risk & Compliance Department are responsible for overseeing the effective engagement of colleagues in the operation of the ERMF, providing guidance, training as well as oversight and challenge. The Risk Committee establishes an appropriate tone through clear articulation of its risk appetite and values linked to the Society's strategic objectives. This ensures that risk management forms an integral part of the Society's activities, informing decision making and ensuring the engagement of all colleagues in the implementation of the framework across the Society.

To ensure effective risk management principles outlined within the ERMF continue to embed and mature throughout the Society, Risk Champions have been nominated within each department. Risk Champions play an essential role within the Society's ERMF, supporting their Executives through the implementation of the ERMF in their departments, the collection and reporting of risk management information and promotion of a sound risk culture.

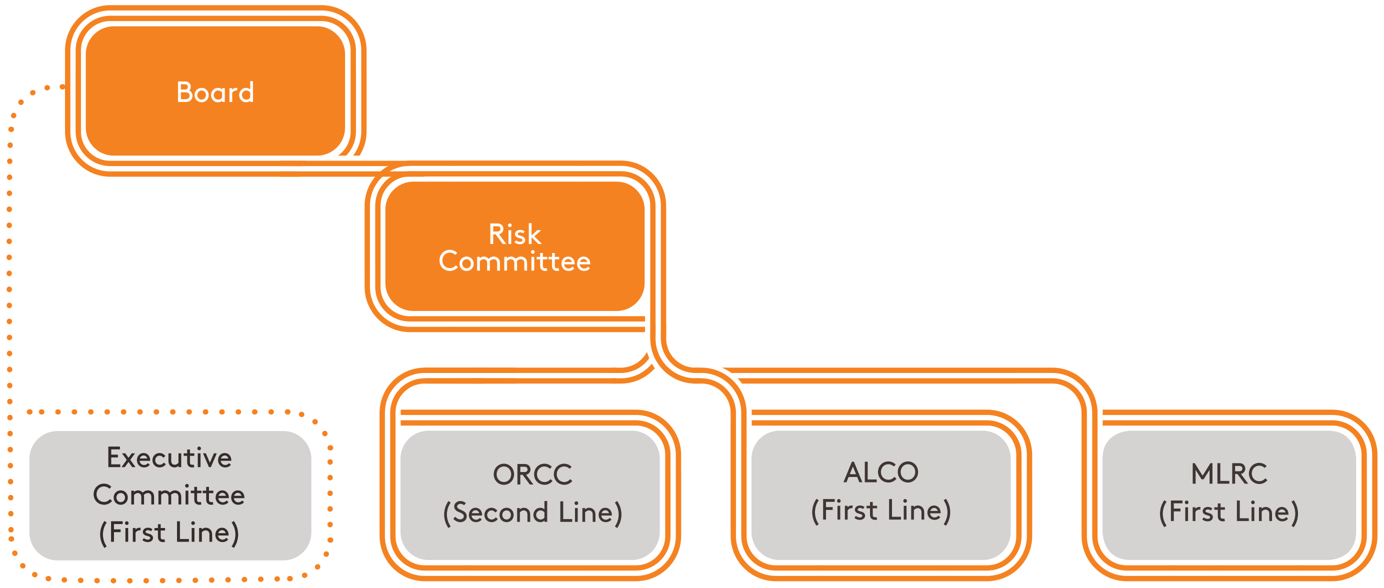
The Society operates a Three Lines of Defence approach in the design and implementation of the ERMF. This provides clarity over roles and responsibilities for risk management within the Society, enabling the Risk Committee to establish a clear governance structure for the identification, measurement, assessment, monitoring and management of risks. This approach is designed to deliver the strategic objectives in line with the overall risk appetite of the Board.

Risk Governance Structure

The Board is ultimately responsible for all aspects of the Society's activities in pursuit of its strategic objectives. The Board retain overall accountability and ownership of the Enterprise Risk Management Framework and delegate to the Risk Committee the responsibility for ensuring the ongoing development, implementation and enhancement of the framework. The governance structure is robust and designed to promote open and constructive challenge.

The Society operates three management-level risk committees to ensure there is proactive management and governance of risk and control issues. Clear reporting lines from the management risk committees to Risk Committee are defined to ensure focus remains on areas that could significantly impact the Society, whilst enabling risk owners and responsible staff to fulfil their accountabilities and responsibilities. The risk governance structure of the Society is outlined below.

In addition to the management-level Committees, the Society also operates an Executive Committee which supports the Chief Executive and Executive team manage the day to day business of the Society. The responsibilities of the Committee include the assessment and control of risk, with matters raised at this Committee relating to risk elevated to the relevant management level risk Committee or, if warranted, directly to Risk Committee or Board as appropriate.



Risk Management Report (cont)

We undertake annual effectiveness reviews on all Committees to ensure the ongoing reviews and considerations for improvements can be made.

Risk Committee

Composition

The Committee is comprised of three independent Non-Executive Directors and is attended by the Chief Risk Officer, Chief Compliance Officer, Enterprise Risk Manager, Executive Directors and other members of management as required.

	Position
T Barratt	Committee Chair
R Turner	Committee Member
M Evans	Committee Member

Key Responsibilities

The risk committee must:

- Advise the Board on the Society's overall risk appetite, tolerance and strategy and the principal and emerging risks the Society is willing to take in order to achieve its long-term strategic objectives. This includes the oversight of both conduct and prudential risk appetites and the Society's approach to operational resilience and climate risk.
- Advise the board on the likelihood and impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.
- Advise the Board on the risk aspects of proposed changes to strategy and strategic transactions, including the impact of any such decisions on the Society's risk appetite.
- Identify, assess and monitor emerging risks to the Society.
- Ensure the group risk management structure is adequately resourced and effective; and
- Review and recommend to the Board the Society's ERMF and monitor its effectiveness.

Key Activities

The Committee considered the following key matters during the year;

- Review of the Society's risk management approach and performance, including review of the Society's risk appetite statements across all primary risks.
- Review of the Society's capital and liquidity assessment processes, including the approach to stress testing.
- Oversight of the Society's Information Technology and cyber risks.
- Continued review of the Society's approach and response to the COVID-19 pandemic, overseeing adherence to the government imposed guidance and rules and the impacts on members, customers and colleagues and the impacts to working environments.
- Review and challenge of key risk policies including lending, operational and treasury risk.
- Review the output of the Society's compliance function.
- Review of the Society's approach to Commercial Lending on returning to this market.
- Review of the Society's approach to change management.
- Review our approach to data protection and receive an annual report from the DPO.
- Review of the Society's implementation of new regulatory requirements for operational resilience and outsourcing and third party risk management.

Stress Testing

Stress and scenario testing form a key part in the Society's strategy, risk management and capital planning decisions and are a key component of the ERMF. Stress tests are carried out on a regular basis for planning and risk management purposes to identify, analyse and manage risks. Stress testing alerts management to adverse unexpected outcomes related to a variety of risks and provides an indication of the level of capital and/or liquidity required to absorb losses should large shocks occur.

Stress testing supplements other risk management approaches and measures. It has a particularly important role in:

- providing forward-looking assessments of risk;
- overcoming limitations of models and historical data;
- supporting internal and external communication of risks;
- feeding into capital and liquidity planning procedures;
- informing the setting of the Society's risk tolerance; and
- facilitating the development of risk mitigation or contingency plans across a range of stressed conditions.

Stress testing is especially important after long periods of benign economic and financial conditions, when fading memory of negative conditions can lead to complacency and the under-pricing of risk. It is also a key risk management tool during periods of growth. Growth leads to new products, services and scenarios that grow rapidly and for which limited data may exist.

Stress testing helps ensure the Society has a sustainable business model and it is a key component of the Society's Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process.

Reverse stress testing considers situations which could result in the Society's business model becoming unviable. The Society will consider these extreme adverse events and use the information to help improve contingency and recovery plans.

Risk Management Report (cont)

We outline below the principal risks and uncertainties to achieving the Society's strategic priorities together with our mitigating activities:

Primary Risk	Risk Appetite Statement	Key Mitigating Actions
Strategic Risk The risks that affect or are created by the Society's business strategy and strategic objectives. Risks arising from changes to the Society's business model and the risk of the Plan proving inappropriate due to macroeconomic, geopolitical, regulatory or other factors.	Embrace change and explore new opportunities to serve our members in pursuit of sustainable asset growth and accumulation of capital reserves in line with our ambitious 5-year strategy.	• Business planning process. • Strategic Review Forum. • Strategic updates to Board. • Ongoing monitoring of Key Performance Indicators and Risk Appetite Measures. • Investment in underlying processes, systems and people to support new business developments. • Business planning stress testing. • Robust enterprise risk management and corporate governance frameworks.
Credit Risk The risk of losses arising from a debtor's failure to meet its legal and contractual obligations.	A prudent lending approach to mortgage customers and treasury counterparties to minimise default rates and impact on earnings or capital whilst generating an appropriate level of return reflecting the risk.	• Board approved risk appetite and risk limits. • Responsible Lending Policy. • Commercial Lending Policy. • Treasury Policy. • Treasury Management System. • Robust underwriting criteria. • Counterparty limits and reviews. • Stress testing. • Affordability stresses. • Mortgage Lending Risk Committee & Asset and Liability Committee oversight. • Capital Planning as part of the Society's Internal Capital Adequacy Assessment Process (ICAAP). • Credit risk reporting, including layering of risk metrics.
Financial Soundness Risk The risk that insufficient funds are available to meet financial obligations as they fall due and/ or, insufficient capital resources, resulting in the inability to support business activities, as well as the inability to meet liquidity and capital regulatory requirements.	**Liquidity** Maintain liquid resources above Board-approved treasury financial minimums to give members confidence in the Society's ability to meet its obligations. **Capital** Utilise capital effectively to support current and future business initiatives, including stressed losses that arise as a result of plausible but extreme scenarios and to meet regulatory requirements.	• Board approved risk appetite and risk limits. • Maintaining appropriate levels of High Quality Liquid Assets. • Treasury Policy. • Treasury Middle Office reporting and monitoring. • The Society's Internal Liquidity Adequacy Assessment Process (ILAAP). • The Society's Internal Capital Adequacy Assessment Process (ICAAP). • Stress testing. • Assets and Liabilities Committee oversight. • Assumptions Forum. • Recovery Plan.
Market Risk The risk of losses arising from changes in market rates or prices.	Limit exposure to variation in interest rate and basis risk positions from adverse movements in market rates. Ensure exposures remain within forecast market expectations.	• Board approved risk appetite and risk limits. • Stress testing. • Assets and Liabilities Committee oversight. • Treasury Middle Office reporting and monitoring.

Primary Risk	Risk Appetite Statement	Key Mitigating Actions
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	Develop robust processes and controls to optimise resources and reduce the impact of operational risks on the Society's performance.	• Board approved risk appetite limits. • Strong and effective internal control environment (Controls Assurance Testing). • Insurances. • Operational Risk and Compliance Committee oversight. • Risk management frameworks, policies, systems and processes. • Continuous improvement, learning from internal and external risk events, results of Controls Assurance Testing and responding to findings from second line and third line (Internal Audit reviews). • Risk Champions in each business area, supporting their Executive maintain strong risk management practices. • Investment in our operational resilience including cyber-crime and IT.
Conduct Risk The risk of financial or reputational loss as a result of treating customers unfairly and delivering inappropriate outcomes that lead to customer detriment.	We aim to deliver positive outcomes for customers, maintaining a high degree of customer and public confidence by focusing on the Society's aims and values.	• Board approved risk appetite limits and Conduct Risk Policy. • Members are placed at the heart of our decision making, aligned to our Society Values (Member-Led). • Operational Risk and Compliance Committee oversight. • Customer Experience Forum. • Strong risk management culture. • Conduct Risk Dashboard. • Vulnerable Customer Policy.
Legal and Regulatory Risk The risk of fines, public censure, limitation on business, or restitution costs arising from failing to understand, interpret, implement and comply with legal and regulatory requirements.	Maintain robust controls to ensure compliance with the intent and spirit of relevant laws and regulation.	• Regulatory horizon scanning. • Board approved risk appetite limits. • Strong compliance culture. • Operational Risk and Compliance Committee oversight. • Compliance Framework. • Open and transparent relationship with all regulatory bodies.

Risk Management Report (cont)

Other Material Risks

Other material risks consist of matters of material significance to the Society which are either temporary or are considered to have an impact to one or more primary risks.

Non-Primary Risk	Approach	Key Mitigating Actions
Climate Change The social awareness of the effects of climate change continues to increase and can only be expected to increase in the coming years as the impact on our changing climate is becoming increasingly apparent. The effects of climate change are not risks to the Society, rather, they will impact the Society's primary risk categories. Climate change will cause risks to materialise in two ways: **Physical Risk** Defined as the risk of financial loss from climate/weather-related events (heatwaves, droughts, floods, storms, and sea level rise) impairing both asset values and creditworthiness of borrowers. **Transition Risk** These arise from the process of adjustment towards a low-carbon economy. Changes in policy, technology and sentiment could prompt a reassessment of the value of a large range of assets and relates to the risk of loss to the Society if another party fails to meet its obligations or fails to perform them in a timely fashion.	Ensure the Society develops processes, controls and reporting metrics to assess and manage climate change risk. The climate change elements manifest as increasing credit, market and operational risk for the Society which require effective mitigation and management. Our approach is outlined below: **Cause** Climate Change • Physical Risk • Transition Risk ↓ **Risks** • Strategic Risk • Credit Risk • Financial Soundness • Market Risk • Operational Risk • Conduct Risk • Legal & Regulatory Risk • Transition Risk ↓ **Impacts** • Financial • Non-Financial	The Society has implemented the requirements of the PRA's SS3/19 and continues to manage the risks associated with climate change as part of our broader ESG strategy. Consider recommendations made by the Task Force on Climate Related Financial Disclosures (TCFD) as well as increasing expectations on Environmental, Social and Corporate Governance arising from various sources. The potential financial impact of climate change on the Society has been considered within our most recent ICAAP, whilst disclosures relating to climate change within this annual report have also been enhanced within the strategic report. As part of the climate change project, we continue to assess the impacts and potential mitigations for credit, market and operational risks which may transpire. Board training and updates provided to Board and Risk Committee.

Emerging Risks

Emerging risks are threats or opportunities for which the impact upon the Society cannot yet be reasonably measured or assessed. Timely identification and monitoring of these emerging risks can enable the Society to take appropriate steps to begin to mitigate against the emerging threat or move to position the Society in such a way as to be ready to take advantage of an emerging opportunity.

The Executive Committee and Risk Committee receive a summary of emerging risks relevant to their respective responsibilities which includes the current approach to either monitoring or mitigating against the emerging risk. When the risk develops to a state where it can be reliably assessed, it is transitioned into active risk management within the ERMF. The Board, Risk Committee and management-level committees also discuss emerging risks and opportunities as a standing agenda item which contribute toward the regular update of the Society's register of emerging risks.

Trevor Barratt

Chair of the Risk Committee

15th July 2022

Independent Auditor's Report

to the Members of Monmouthshire Building Society

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Society's affairs as at 30th April 2022 and of the Group's and of the Society's profit 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.

We have audited the financial statements of Monmouthshire Building Society (the 'Society') and its subsidiaries ("the Group") for the year ended 30th April 2022 which comprise the Group and Society Income and Expenditure Accounts, the Group and Society Statement of Other Comprehensive Income, the Group and Society Statement of Financial Position, the Group and Society Statement of Changes in Members' Interests, the Consolidated Cash Flow Statement and notes to the financial statements, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the members at the AGM on 26th August 2020 to audit the financial statements for the year ending 30th April 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 30th April 2021 and 30th April 2022. We remain independent of the Group and Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Society.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Society's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Internal Capital Adequacy Assessment Process (ICAAP), Internal liquidity Adequacy Assessment Process (ILAAP) and regulatory capital and liquidity requirements;
- Challenging the Directors' assumptions and judgements made in their base forecast and stress-tested forecast, including reverse stress test scenarios. In doing so we agreed key assumptions such as forecast growth to historic actuals and relevant market data and considered the historical accuracy of the Directors forecasts; and
- Enquiring with the Directors and assessing the continued economic impact of COVID-19, Brexit and developments in Ukraine on the Group and checking that these have been adequately factored into their assessment of 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 Group and the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent Auditor's Report (cont)
to the Members of Monmouthshire Building Society

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview			
Coverage	100% (2021: 100%) of Group profit before tax 100% (2021: 100%) of Group interest receivable 100% (2021: 100%) of Group total assets		
Key audit matters		2022	2021
	Revenue Recognition	√	√
	Impairment losses on loans and advances	√	√
Materiality	£461,000 (2021:£300,000) based on 0.65% of Net assets (2021: 0.5% of Tier 1 capital)		

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Group's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Group's transactions and balances which were most likely to give risk to a material misstatement.

Key audit matters

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

Key Audit Matter		How the scope of our audit addressed the key audit matter
Revenue Recognition The Group's accounting policies are disclosed in note 1. As disclosed in Note 1 the EIR asset at year-end is £1,395k (2021: £1,500k).	The Group's mortgage interest income is recognised using an effective interest rate ("EIR") method in accordance with the requirements of the applicable accounting standards. This method involves adjusting fee and interest income to ensure it complies with the EIR method. The models used to achieve this are complex and reliant on the completeness and accuracy of input data. Significant management judgement is also required to determine the expected cash flows for the Group's loans and advances within these models. The key assumptions in the EIR models are the directly attributable fees and costs and the expected behavioural life and redemption profiles of the mortgages due to the impact on timing and quantum of expected future cash flows. Errors within the EIR models themselves or bias in key assumptions applied could result in the material misstatement of revenue. Revenue recognition is therefore considered to be a significant risk area.	We assessed whether the revenue recognition policies adopted by the Group are in accordance with requirements of the applicable accounting framework. This included an assessment of the types of fees and costs being spread within the effective interest rate models versus the requirements of the applicable financial reporting standard. Through inspection of contractual terms we challenged the fees and costs included or excluded from the effective interest rate estimates, including early redemption charges. We tested the completeness and accuracy of data and key model inputs feeding into the EIR models by agreeing samples back to the source documents. This includes the data used in the historical behavioural life redemption profiles. The arithmetical accuracy and logic in the model was also tested. We challenged the reasonableness of the loan behavioural life assumptions used by management considering historical experience of loan behavioural lives based on customer behaviour, product type, market factors, recent performance and external data where applicable. We assessed the models for their sensitivities to changes in the key assumptions by considering different profiles of behavioural life. We utilised data analytics to perform a full recalculation of the contractual interest recognised during the financial year on loans advanced. We reviewed the relevant interest income and effective interest rate disclosures made by management for compliance with accounting standards and agreed the disclosures to supporting evidence. **Key observations:** We have not identified any indicators that the assumptions included in the EIR models are unreasonable in consideration of the Group's mortgage portfolio, historic behaviours and current economic and market conditions.

Key Audit Matter		How the scope of our audit addressed the key audit matter
Impairment losses on loans and advances The Group's accounting policies are detailed in note 1 with detail about judgements in applying accounting policies and critical accounting estimates on note 10. As disclosed in Note 10, the collective impairment provision at year-end is £866k (2021: £1,539k).	The Group accounts for the impairment of loans and advances to customers using an incurred loss model. In accordance with the recognition and measurement criteria of applicable accounting standards, management has calculated two types of provisions. i. A specific provision is calculated for loans where there is an observable loss event. ii. A collective provision is recognised for loans which are impaired as at the year-end date and, whilst not specifically identified as such, are known from experience to be present in any portfolio of loans. Estimating both the specific and collective loan loss provision requires significant management judgement and estimate in determining the value and timing of expected future cash flows. The specific provision is sensitive to key judgements and assumptions in respect to the underlying value of collateral held. The collective provision is calculated within a model that uses a combination of the Group's historical experience, segmentation of the loans by risk and external data, adjusted for current conditions including the impact of the UK exiting the European Union, and the continued economic impact of COVID-19 & developments in Ukraine. The model is sensitive to key judgements and assumptions including probability of defaults, future house price movements and forced sale discounts against collateral. Due to the sensitivity to key inputs judgements and estimates and high degree of estimation uncertainty the Group's collective impairment provision has a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Error within the loan loss provisioning models itself or bias in key assumptions applied could result in the material misstatement of impairment provisions.	We tested the operating effectiveness of the system control that identifies loans in arrears which are then flagged for investigation. We assessed the specific and collective provision methodology against the requirements of applicable accounting standards. We checked the completeness and accuracy of data and key assumption inputs feeding into the collective and specific provision calculations through reconciliation to underlying records. We have checked that management's stated loan provisioning assumption inputs have been consistently applied to the specific provision and collective provision model calculations. We have profiled the loan population and tested a sample of loans, including performing loans for impairment indicators including arrears and high loan to values to identify individual loans, which may have impairments not identified by management to challenge the completeness and accuracy of management's impairment provision estimate. We assessed the collective impairment provision for sensitivity to changes in key inputs to identify areas requiring additional focus. For the specific and collective impairment provision, we evaluated and challenged management key assumptions in the model. The assumptions challenged included forced sales discount, discount applied on the House Price Index (HPI), other sales costs, probability of default and the management overlay for macroeconomic factors not identified in the model. These were challenged with reference to historic Group experience, the reasonableness of external data points used, and the level of the overall collective impairment provision to comparable peer organisations. We assessed the adequacy of the Group's disclosures in respect of loan loss provisioning and of the degree of estimation involved in arriving at the provision. **Key observations:** We have not identified any indicators to suggest that the provision for losses on loans and advances to customers is unreasonably estimated in consideration of the key assumptions and judgements made or that the related disclosures are not appropriate.

Independent Auditor's Report (cont)
to the Members of Monmouthshire Building Society

Our Application of Materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Society financial statement	
	2022	2021	2022	2021
Materiality	£461,000	£300,000	£450,000	£285,000
Basis for determining materiality	0.65% of Net assets	0.5% of Tier 1 Capital	0.65% of Society's net assets	95% of Group materiality
Rationale for the benchmark applied	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. The benchmark was changed to net assets as this is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Group as well as the purpose of the Group which is to optimise rather than maximise profits.	We determined that Tier 1 capital was the most appropriate benchmark considering the different stakeholders. Regulatory stability is considered to be a main driver for the Group as well as the purpose of the Group which is to optimise rather than maximise profits.	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. The benchmark was changed to net assets as this is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Society as well as the purpose of the Society which is to optimise rather than maximise profits.	This has been limited to a percentage of Group financial statement materiality given the assessment of aggregation risk.
Performance materiality	£230,000	£180,000	£220,000	£171,000
Basis for determining performance materiality	50% of materiality On the basis of our risk assessment together with factors such as our assessment of the Group's overall control environment, and expected total value of known and likely misstatements, based on past experience, our judgement was that overall performance materiality for the Group should be 50% of materiality.	60% of materiality On the basis of our risk assessment together with factors such as our assessment of the Group's overall control environment and considering this was our first year auditing the Group.	50% of materiality On the basis of our risk assessment together with factors such as our assessment of the Society's overall control environment, and expected total value of known and likely misstatements, based on past experience, our judgement was that overall performance materiality for the Society should be 50% of materiality.	60% of materiality On the basis of our risk assessment together with factors such as our assessment of the Society's overall control environment and considering this was our first year auditing the Society.

Reporting Threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £13,000 (2021: £5,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other Information
The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements 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.

Our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other Building Societies Act 1986 Reporting
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Building Societies Act 1986 and ISAs (UK) to report on certain opinions and matters as described below.

Annual business statement and 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 requirements of the Building Societies Act 1986; • The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • The information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given. In the light of the knowledge and understanding of the Group and 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 financial statements are not in agreement with the accounting records; or • We have not received all the information and explanations we require for our audit.

Opinion on Other Matters Prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013
In our opinion the information given on page 93 for the financial year ended 30th April 2022 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report (cont)

to the Members of Monmouthshire Building Society

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 Group or the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

Extent to Which the Audit was Capable of Detecting Irregularities, Including Fraud

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

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Building Societies Act 1986, Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") regulations, pension legislation, tax legislation.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the management, internal audit, Audit Committee, Risk Committee, and the Board, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls and in relation to accounting estimates such as the EIR and loan loss provisioning.

Our procedures included:

- Obtaining an understanding of the control environment that the Group has in place for monitoring compliance with laws and regulations;
- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations discussed above;
- Enquiring of management and those charged with governance about their own identification and assessment of the risks of irregularities, including fraud;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the Financial Conduct Authority and the Prudential Regulation Authority for instances of fraud or non compliance with laws and regulations;
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments by agreeing them to supporting documentation, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- In addressing the risk of fraud in accounting estimates, the procedures performed in the key audit matters section of our report assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

Use of our 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.

Matt Hopkins (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

15th July 2022

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

Income and Expenditure Accounts
Year ended 30th April 2022

	Notes	Group 2022 £000	Group 2021 £000	Society 2022 £000	Society 2021 £000
Interest receivable and similar income	2	28,342	24,036	28,342	24,036
Interest payable and similar charges	3	(8,234)	(9,152)	(8,234)	(9,152)
Net interest receivable		20,108	14,884	20,108	14,884
Fees and commissions receivable		384	229	384	229
Fees and commissions payable		(203)	(380)	(203)	(380)
Other operating (expenditure) /income		(1)	30	(10)	(1)
Other fair value gains	4	4,481	586	4,481	586
Total operating income		24,769	15,349	24,760	15,318
Administrative expenses	6	(14,491)	(12,033)	(14,551)	(12,081)
Depreciation and amortisation	13, 14	(1,281)	(718)	(1,243)	(692)
Total operating profit before provisions		8,997	2,598	8,966	2,545
Provisions for bad and doubtful debts	10	660	(679)	660	(679)
Other provisions	19	(17)	(32)	(17)	(32)
Operating profit		9,640	1,887	9,609	1,834
Profit on ordinary activities before tax		9,640	1,887	9,609	1,834
Tax on profit on ordinary activities	7	(1,864)	(321)	(1,852)	(304)
Profit for the financial year		7,776	1,566	7,757	1,530

The notes on **pages 74-106** form an integral part of these accounts.

Statement of Other Comprehensive Income
Year ended 30th April 2022

	Notes	Group 2022 £000	Group 2021 £000	Society 2022 £000	Society 2021 £000
Profit for the financial year		7,776	1,566	7,757	1,530
Actuarial gains recognised in the pension scheme	20	1,229	162	1,229	162
Deferred Tax (charge)/credit		(104)	57	(104)	57
Total comprehensive income relating to the financial year and recognised since last annual report		8,901	1,785	8,882	1,749

The notes on **pages 74-106** form an integral part of these accounts.

Statement of Financial Position

As at 30th April 2022

		Group		Society	
		2022	2021	2022	2021
Assets	Notes	£000	£000	£000	£000
Liquid Assets					
Cash in hand		695	609	390	363
Loans and Advances to Credit Institutions					
Repayable on demand		126,317	157,750	126,317	157,750
Debt securities issued by other borrowers	8	128,414	80,352	128,414	80,352
Derivative financial instruments	12	22,635	1,247	22,635	1,247
Loans and Advances to Customers					
Loans fully secured on residential property	9	1,177,578	1,116,354	1,177,578	1,116,354
Other loans – fully secured on land	9	24,385	19,818	24,385	19,818
Investments	11	369	369	2,444	2,444
Intangible fixed assets	13	604	1,130	604	1,130
Tangible fixed assets	14	5,428	5,949	4,000	4,482
Other assets	24	666	1,151	647	1,128
Prepayments and accrued income		1,094	800	1,094	800
Total assets		1,488,185	1,385,529	1,488,508	1,385,868
Liabilities					
Shares	15	994,964	1,002,010	994,964	1,002,010
Amounts owed to credit institutions	16	174,980	90,241	174,980	90,241
Amounts owed to other customers	17	239,901	216,402	239,901	216,402
Derivative financial instruments	12	384	5,879	384	5,879
Other liabilities	18	2,185	2,167	2,888	2,865
Accruals and deferred income		1,044	1,317	1,044	1,317
Provisions for liabilities	19	-	32	-	32
Net pension scheme liability	20	2,268	3,925	2,268	3,925
Total equity attributable to members		72,459	63,556	72,079	63,197
Total equity and liabilities		1,488,185	1,385,529	1,488,508	1,385,868

The notes on **pages 74-106** form an integral part of these accounts. These financial statements were approved by the Board of Directors and authorised for issue on 15th July 2022.

DR Lewis

Debra Lewis

William Carroll

Statement of Changes in Members' Interests

Year ended 30th April 2021 — Group		General Reserve £000
At 1st May 2020		61,771
Profit for the financial year		1,566
Other comprehensive income in the period		
Actuarial gain recognised in the pension scheme		162
Deferred tax credit		57
At 30th April 2021		63,556

Year ended 30th April 2022		General Reserve £000
At 1st May 2021		63,556
Profit for the financial year		7,776
Other Comprehensive Income/(Loss) in the Period		
Actuarial gain recognised in the pension scheme	20	1,229
Deferred tax (charge)		(104)
At 30th April 2022		72,459

Year ended 30th April 2021 — Society		General Reserve £000
At 1st May 2020		61,448
Profit for the financial year		1,530
Other comprehensive income in the period		
Actuarial gain recognised in the pension scheme		162
Deferred tax credit		57
At 30th April 2021		63,197

Year ended 30th April 2022		General Reserve £000
At 1st May 2021		63,197
Profit for the financial year		7,757
Other Comprehensive Income/ (Loss) in the Period		
Actuarial gain recognised in the pension scheme	20	1,229
Deferred tax (charge)		(104)
At 30th April 2022		72,079

Consolidated Cash Flow Statement

	Group	
	2022 £000	2021 £000
Net cash inflows from operating activities (see below)	16,347	32,507
Cash flows from investing activities		
Purchase of tangible and intangible fixed assets	(354)	(288)
Disposal of tangible and intangible fixed assets	720	-
(Purchase) / disposal of debt securities	(48,062)	12,657
Net cash (outflows)/ inflows from investing activities	(47,696)	12,369
Net (decrease)/ increase in cash and cash equivalents	(31,349)	44,876
Cash and cash equivalents at beginning of the year	158,361	113,486
Cash and cash equivalents at end of the year	127,012	158,362
Cashflows from operating activities		
Profit on operating activities before tax	9,640	1,887
Provisions for bad and doubtful debts	(660)	679
Depreciation and amortisation	1,281	718
Net pension costs	(428)	(215)
Taxation paid	(570)	(321)
Gain on sale of tangible and intangible fixed assets	18	43
Net cash flow from operating activities before movement in operating assets and liabilities	9,281	2,791
Movement in operating assets and liabilities		
Loans and advances to customers	(65,792)	(110,026)
Shares	(7,046)	118,655
Amounts owed to credit institutions and other customers	108,238	20,756
Loans and advances to other credit institutions	-	3,528
Other assets	(20,976)	(836)
Other liabilities	(5,477)	(2,988)
Movements in prepayments and accrued income	(294)	170
Movements in accruals and deferred income	(273)	695
Movements in provisions for liabilities	(32)	(92)
Movement in taxation liability	(1,294)	-
Loans and advances written off	12	(147)
Net cash inflows from operating activities	**16,347**	**32,507**

Notes to the Accounts

Year ended 30th April 2022

1. Accounting Policies

General Information

Monmouthshire Building Society is a building society and is incorporated in England and Wales. The Society is located within the United Kingdom and its registered office address is Monmouthshire Building Society, John Frost Square, Newport, NP20 1PX.

Basis of Preparation

Both the Group and Society Annual Accounts have been prepared in accordance with Financial Reporting Standard 102, IAS 39 Financial Instruments: Recognition and Measurement and the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended). The accounts have been prepared under the historical cost convention as modified to include the revaluation of financial assets and liabilities held at fair value through profit or loss. The Accounts have been prepared on the going concern basis as outlined in the Directors' Report. The Society has taken advantage of the exemption in FRS102, which provides that where a company is a member of a group and a Consolidated Cash Flow Statement is published, the Society does not have to prepare a Cash Flow Statement. Numbers in the accounts are rounded to £000.

Going Concern

The Society conducts annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reviews to assess and stress test its capital and liquidity positions respectively, in line with PRA requirements. These requirements include the need to model the impact on the Society of a range of severe but plausible stresses to residential house prices, unemployment, interest rates and funding outflows. Supported by these reviews, the Directors are satisfied that the Society's position with respect to its capital, asset credit quality, funding and profitability should ensure that it has adequate resources to continue in business for a period of at least 12 months from the signing date of these financial statements. Directors believe this to be the case even in the face of current uncertainties, including those that may arise as a result of adverse economic conditions, including energy and other inflationary increases impacting cost of living and affordability, both of which have been considered within impairment provisions and addressed within capital stresses. The Society has applied robust stress testing to its 3-year forecasts and prepared a detailed long-term viability/going concern document, which considers potential impacts on our growth, profit, capital, liquidity, funding and operations. The analysis concluded that the Society remains extremely well placed to be able to withstand the negative consequences of current adverse economic conditions. For this reason, the accounts continue to be prepared on the going concern basis.

Interest Income and Interest Payable

Interest receivable and interest payable, for all interest-bearing financial instruments held at amortised cost, are recognised in the Income and Expenditure Account using the Effective Interest Rate (EIR) method. This method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the expected average life.

The EIR method includes the reversionary interest, early repayment charges, all fees received, and costs borne by the Society that are an integral part of the yield of the financial instrument. The main impact for the Society relates to behavioural lives incorporated in the calculation.

Interest income on instruments, derivatives and other financial assets accounted for at fair value is included in "Interest receivable and similar income".

Fees and Commissions Receivable

Fees and commissions receivable or payable that are an integral element of the effective interest rate of the financial instrument are recognised as an adjustment to the effective interest rate and recorded within "Interest receivable and similar income". Any other fees and commissions receivable are recognised when the Society has fulfilled all contractual obligations. Fees and commissions payable not included within the effective interest rate are recognised on an accruals basis when the underlying service has been provided.

Taxation

Current and deferred tax is provided on the Society's taxable profits at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the date of the accounts.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at

Notes to the Accounts

the financial year end where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the financial year end. Timing differences are differences between the Society's results as stated in the financial statements and its taxable profits. These arise where there are gains and losses in tax assessments in periods other than those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Where tax becomes chargeable or deductible for tax purposes, the resulting tax expense or income is presented in the same component of comprehensive income or equity as the transaction that resulted in the tax expense or income. Tax assets and liabilities are offset only if the Society has a legally enforceable right to set off such assets and liabilities.

Financial Assets

In accordance with IAS 39, Financial Instruments: Recognition and Measurement, the Group and Society classifies its financial assets into the following categories:

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Society's loans and receivables are measured at amortised cost using the EIR method less provisions for impairment. In accordance with the EIR method, directly attributable costs and fees are deferred and recognised over the expected life of mortgage assets.

b) Financial assets at fair value through Profit and Loss

These are derivative financial assets initially recognised at fair value on the date on which the derivative contract is entered into. Subsequent movements in fair value are recognised in the Income and Expenditure Account. Gains or losses on early terminated hedges are also recognised in the Income and Expenditure Account. The Group and Society derecognises financial assets when the rights to receive cash flows have expired or where substantially all the risks and rewards of ownership have been transferred to another party.

c) Held to maturity financial assets

Debt instruments that the Society intends to hold to their maturity date irrespective of changes in market prices or the entity's financial position or performance are categorised as held-to-maturity (HTM) investments. To qualify as HTM the Group and Society must have a positive intent and ability to hold the financial asset to maturity and the financial asset has to be quoted on an active market. When an entity's actions cast doubt on its intent or ability to hold investments to maturity, the entity is prohibited from using the held-to-maturity category for a reasonable period of time. A penalty is therefore effectively imposed for a change in management's intention. The entity is forced to reclassify all its held-to-maturity investments as available-for-sale and measure them at fair value until it is able, through subsequent actions, to restore faith in its intentions. An entity may not classify any financial assets as held-to-maturity if during the current or preceding two years it has sold or reclassified more than an insignificant amount of held-to-maturity investments except in very narrowly defined circumstances. Held-to-maturity assets are subsequently carried at amortised cost and are subject to impairment testing.

Financial Liabilities

Non-derivative financial liabilities are initially recognised at fair value being the issue proceeds net of premiums, discounts and transaction costs incurred. These are subsequently held at amortised cost using the EIR method. Derivative financial liabilities are recognised at fair value on inception with movements in fair value being recognised in the Income and Expenditure Account. Financial liabilities are derecognised when the obligation is cancelled, discharged or has expired.

Impairment Losses on Loans and Advances to Customers and Credit Institutions

At each year end the Group and Society performs an assessment as to whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence of impairment may include: indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the debt being restructured to reduce the burden on the borrower, any breach of contract, and other overall economic conditions. If there is evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the net present value of estimated discounted future cash flows. Loans are considered for a specific provision at three or more months in arrears. Loans less than three months in arrears are considered for a collective provision.

The resultant provisions are deducted from the related asset values in the Statement of Financial Position and the movement is recorded in the Income and Expenditure Account.

Other Provisions and Contingent Liabilities

The Group and Society recognises provisions when a legal or constructive obligation exists as a consequence of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

Where it is not probable that the obligation will be settled, and/or it cannot be reliably estimated, a contingent liability is disclosed in the Notes to the Accounts.

Borrowings

Commissions and other costs incurred in the raising of borrowings are amortised over the period to maturity.

Retirement Benefits

For the defined benefit scheme, the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments are included as part of staff costs. The net interest cost on the net defined benefit liability is included within finance costs in the Income and Expenditure Account.

Actuarial gains and losses (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in Other Comprehensive Income. The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Society, in separate trustee administered funds. The actuarial valuations are obtained at least triennially and are updated at each financial year end.

For the defined contribution scheme, pension costs are charged to the Income and Expenditure Account. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Derivative Financial Instruments and Hedge Accounting

The Society uses derivatives only for risk management purposes. The Society does not hold or issue derivative financial instruments for trading purposes.

a) Derivative financial instruments

Derivatives are initially measured at fair value, at the date the derivative contract is entered into, with subsequent movements in fair value recognised in the Income and Expenditure Account.

b) Fair Value Measurement

Fair values are calculated by applying yield curves, to a discounted cash flow model. Derivatives with a positive fair value are classified as assets, whilst derivatives that have a negative value are classified as liabilities.

c) Hedge accounting

Where the transactions meet the criteria specified in IAS 39, the Group and Society uses hedge accounting. Hedge relationships are formally designated and documented at inception.

Changes in the fair value of the derivatives are recognised in the Income and Expenditure Account and are matched with changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when:

- the hedge no longer meets the criteria for hedge accounting; or
- the derivative expires, is sold or is terminated; or
- the hedged item matures, is sold or repaid.

Tangible Fixed Assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Fixed assets are considered for impairment on an annual basis. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its estimated useful economic life as follows:

- office equipment 3 to 7 years straight-line basis;
- motor vehicles 25% per annum reducing balance basis;
- leasehold improvements over the period of the lease, or expected term if different
- freehold buildings 50 years straight-line basis.

Notes to the Accounts

Intangible Assets
Purchased computer software, which is not an integral part of the related hardware, is recognised as an intangible asset at cost and amortised on a straight-line basis over the estimated useful life of 3-7 years. A provision is made for any impairment.

Other Income
Other operating income includes rental income paid to the Austin Friars subsidiary and other sundry income. Rental income is recognised in the Income and Expenditure Account on a straight-line basis over the term of the leases.

Judgements in Applying Accounting Policies and Critical Accounting Estimates
The Group and Society makes judgements in applying its accounting policies which affect the amounts recognised in the financial statements. Where the application of the Group's accounting policy requires elements of both judgement and estimation, the Group considers these assessments to be accounting estimates.

Management considered whether any changes to key judgements and estimates were required as at 30 April 2022. In the previous year, increases in loan loss impairments were accounted for in light of the COVID-19 pandemic due to the potential of customers facing financial difficulty. As at 30 April 2022, with the country coming out of the pandemic and members no longer on payment holidays the Society has concluded that changes were required to the provision for bad and doubtful debts and have released this provision.

Due to the ongoing cost of living crisis, increased inflation and energy prices, the Society has included an additional change to the provision for bad and doubtful debts, assessing affordability and accounting for the potential increases in loan loss impairments resulting from customers who are facing financial difficulties. The details are included in note 10.

The most significant areas where judgements and estimates are made are as follows and have been reviewed by the Audit Committee as detailed in the Audit Committee Report on **page 36**.

Impairment Provision on Loans and Advances
The Society reviews its loans to assess impairment. For both specific and collective provisions, judgement is required to be exercised in predicting the length of time before impairments are identified including the time it takes for a loan to enter into arrears (i.e. emergence period), likely default rates on arrears, and the forced sale discount. On any subsequent sale of property an increase in the forced sale discount of 5% would result in a movement of the provision of £0.13m (2021 £0.1m). Loans are treated as potentially impaired from 1 month in arrears. Further detail is given in note 10.

Effective Interest Rate (EIR)
Under IAS 39, financial instruments carried at amortised cost are accounted for using the EIR method. The EIR method requires the Society to make assumptions regarding the expected lives of financial instruments and the anticipated level of early repayment fees. These assumptions are regularly reviewed to ensure they reflect actual performance. Judgement is used to assess which mortgage products have similar characteristics, and these are grouped to calculate their respective average behavioural lives. Average lives are then estimated based on behavioural data. The impact of reversionary behavioural lives, onto SVR, going to zero would result in a £0.83m (2021: £1.5m) reduction to the EIR asset.

Impairment of Fixed Assets
The Society's Head Office is being depreciated in line with the Group's policy. An independent valuation of the building was carried out during the year and the carrying value of the Head Office Building held by the Group was identified as being impaired. The valuation confirmed a value of £2.5m for the building. The Audit Committee is satisfied that a write down of £0.6m is required and this has been recognised within the income and expenditure account for the year.

Derivatives and Hedge Accounting
The Society adopts hedge accounting in accordance with FRS102 where it uses interest rate swaps to hedge the risk of changes in interest rate risk affecting its fixed rate mortgage and savings portfolios. This reduces the volatility through the Income Statement from valuations of the swaps. The net fair value ascribed to the swaps and underlying assets and liabilities they are hedging is £22.6m (2021: £(4.6m).

Investment in Mutual Vision (MVT)
The Society holds a shareholding of circa 34% in Mutual Vision, which provides a number of software solutions to the Society and 21 other Building Societies, including Pro-Vision, the core savings and loans platform. In accordance with FRS102 the Society is required to consider whether the investment in MVT should be reflected as an investment at cost, or as an associate of the Society and therefore equity accounted.

The Society has considered the appropriateness of accounting for the investment in MVT as an investment at cost, rather than as an associated company. The Society is satisfied that it remains appropriate to account for MVT at cost in the Society's balance sheet on the grounds of principle and materiality.

Retirement Benefit Obligations
The Society operates a defined benefit pension scheme. The Group and Society makes significant judgements to calculate the present value of the retirement benefit obligations in respect of mortality, price inflation, discount rates and pension increases. In making these judgements the Group is also required to consider the issue that was identified through a review of the scheme deed and rules (see note 20) during prior years. The reported liability, service cost and expected return on pension plan assets can be impacted by changes in the assumptions used. Of these assumptions the most significant in terms of its impact upon the financial statements is the discount rate applied to determine the scheme's liabilities. A decrease of 0.5% (2021: 0.5%) in the discount rate applied will increase the deficit by approximately £2m (2021: £2m).

Further details on the assumptions used in valuing retirement benefit obligations and historic legal drafting issues can be found in Note 20.

	Group and Society	
	2022	**2021**
	£000	**£000**
2. Interest receivable and similar income		
On loans fully secured on residential property	29,371	26,318
On other loans	1,095	884
On liquid assets	859	464
Interest expense on derivatives	(2,983)	(3,630)
	28,342	24,036
3. Interest payable and similar charges		
On shares held by individuals	6,749	8,520
On deposits and other borrowings	1,478	632
Net expense on financial instruments	7	-
	8,234	9,152
4. Other fair value gains and losses		
Gain on derivatives	26,883	4,804
(Loss)on hedged items attributable to the hedged risks	(22,402)	(4,218)
Net gain	4,481	586

Notes to the Accounts

5. Financial Instruments

Derivatives

The Society makes use of derivative instruments to mitigate the effect of changing interest rates. The principal derivatives which can be used in risk management are interest rate swaps, forward rate agreements, caps, floors and interest rate options which can be used to hedge exposures arising from the interest rate risk on fixed rate mortgage lending and savings products, and funding and investment activities.

The derivative instruments currently utilised by the Society are interest rate swaps. These are used to protect the Society from interest rate risk relating to fixed rate mortgage lending. All hedges are supported by comprehensive hedging documentation as per the requirement in FRS 102. The Society utilises the derivative instruments for hedging purposes only and no such instruments are used for trading activity or speculative purposes. All fair value hedges are against SONIA.

Under an interest rate swap, the Society agrees with an approved counterparty to exchange at specified intervals the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. The notional principal does not represent the Society's exposure to credit risk which is assessed by reference to its replacement cost if the counterparty defaulted.

The Society has decided to implement the requirements of IAS 39 allowing the Society to use macro hedging to reduce the volatility in the Income and Expenditure Accounts by allowing the Society to offset fair value movements on derivatives by applying fair value adjustments to the underlying hedged items.

The Society uses the fair value hedge option to apply the standard.

During the year ended 30 April 2022, all new swap contracts entered into referenced Sterling Overnight Indexed Average (SONIA). At the year end the Society had no assets or liabilities that reference LIBOR either on or off its balance sheet.

Swaps held that are in hedging relationships

	Group and Society	
	2022 £000	2021 £000
Notional value of SONIA+ (previously LIBOR) swap contracts used in hedges	256,000	295,500
Notional value of SONIA swap contracts used in hedges	418,000	234,000
Total notional value of swap contracts used in hedges held at 30th April	674,000	529,500
Notional value of SONIA+ (previously LIBOR) swap contracts used in hedges which mature before the end of 2022	51,500	10,500
Notional value of SONIA swap contracts used in hedges which mature after 2022	204,500	285,000
Unmatured interest rate contracts		
Notional principal amount as at 30th April	880,500	615,000
Replacement (gain)/cost	(22,635)	1,247

Interest Rate Gap analysis

The Group and 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.

The Directors are satisfied that the Group and Society was within its exposure limits and that assets and liabilities are well matched.

Notes to the Accounts

5. Financial Instruments (continued)

The interest rate gap analysis of the Group as at 30th April 2022 was as follows:

	3 months or less £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	Non-interest bearing £000	Total £000
Assets						
Liquid assets	211,168	27,500	14,328	2,000	430	255,426
Loans and advances to customers	390,976	68,675	136,343	622,892	(16,923)	1,201,963
Other assets including tangible fixed assets	-	-	-	-	30,796	30,796
	602,144	96,175	150,671	624,892	14,303	1,488,185
Liabilities						
Shares	779,752	43,074	85,977	85,420	741	994,964
Amounts owed to credit institutions and other customers	370,007	19,003	20,163	5,462	246	414,881
Other liabilities	-	-	-	-	5,881	5,881
Capital	-	-	2,000	17,000	53,459	72,459
	1,149,759	62,077	108,140	107,882	60,327	1,488,185
Impact of derivative instruments	568,517	(14,000)	(45,500)	(509,016)	-	-
Interest rate gap at 30th April 2022	20,902	20,098	(2,969)	7,994	(46,024)	-

The Group uses derivative financial instruments and exposure limits to mitigate the effect of adverse interest rate movements on net interest income. At 30 April 2022 the impact of a 2% parallel increase in interest rates (measured using calculated interest rate gap positions) was £871k adverse across the gap report horizon (2021: £1,430k adverse). At 30 April 2022 the impact of a 2% parallel decrease in interest rates (measured using calculated interest rate gap positions) was £871k favourable across the gap report horizon (2021: £1,430k favourable).

5. Financial Instruments (continued)

The interest rate gap analysis of the Group as at 30th April 2021 was as follows:

	3 months or less £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	Non-interest bearing £000	Total £000
Assets						
Liquid assets	238,366	-	-	-	345	238,711
Loans and advances to customers	393,091	45,803	110,881	581,143	5,254	1,136,172
Other assets including tangible fixed assets	-	-	-	-	10,646	10,646
	631,457	45,803	110,881	581,143	16,245	1,385,529
Liabilities						
Shares	855,398	64,774	55,166	116,156	757	1,092,251
Amounts owed to credit institutions and other customers	181,941	15,500	12,355	6,391	215	216,402
Other liabilities	-	-	-	-	13,320	13,320
Capital	-	-	1,000	14,000	48,556	63,556
	1,037,339	80,274	68,521	136,547	62,848	1,385,529
Impact of derivative instruments	456,853	23,500	(48,000)	(432,353)	-	-
Interest rate gap at 30th April 2021	50,971	(10,971)	(5,640)	12,243	(46,603)	-

Notes to the Accounts

5. Financial Instruments (continued)

The table below analyses the Group's financial instruments as at 30th April 2022.

	At amortised cost £000	Loans and Receivables £000	Fair value through profit & loss £000	Non-financial assets/ liabilities £000	Total £000
Assets					
Cash	695	-	-	-	695
Loans and advances to credit institutions	-	126,317	-	-	126,317
Debt securities	128,414	-	-	-	128,414
Loans and advances to customers	-	1,201,963	-	-	1,201,963
Derivative financial instruments	-	-	22,635	-	22,635
Total financial assets	129,109	1,328,281	22,635	-	1,480,025
Non-financial assets	-	-	-	8,160	8,160
	129,109	1,328,281	22,635	8,160	1,488,185
Liabilities					
Shares	994,964	-	-	-	994,964
Amounts owed to credit institutions and other customers	414,881	-	-	-	414,881
Derivative financial instruments	-	-	384	-	384
Other liabilities	-	-	-	593	593
Accruals and deferred income	-	-	-	1,044	1,044
Total financial liabilities	1,409,845	-	384	1,637	1,411,866
Non-financial liabilities	-	-	-	3,860	3,860
Reserves	-	-	-	72,459	72,459
	1,409,845	-	384	77,956	1,488,185

5. Financial Instruments (continued)

The table below analyses the Group's financial instruments as at 30th April 2021.

	At amortised cost £000	Loans and Receivables £000	Fair value through profit & loss £000	Non-financial assets/ liabilities £000	Total £000
Assets					
Cash	609	-	-	-	609
Loans and advances to credit institutions	-	157,750	-	-	157,750
Debt securities	80,352	-	-	-	80,352
Loans and advances to customers	-	1,136,172	-	-	1,136,172
Derivative financial instruments	-	-	1,247	-	1,247
Total financial assets	80,961	1,293,922	1,247	-	1,376,130
Non-financial assets	-	-	-	9,399	9,399
	80,961	1,293,922	1,247	9,399	1,385,529
Liabilities					
Shares	1,002,010	-	-	-	1,002,010
Amounts owed to credit institutions and other customers	306,643	-	-	7,441	314,084
Derivative financial instruments	-	-	5,879	-	5,879
Total financial liabilities	1,308,653	-	5,879	7,441	1,321,973
Non-financial liabilities	-	-	-	-	-
Reserves	-	-	-	63,556	63,556
	1,308,653	-	5,879	70,997	1,385,529

Notes to the Accounts

5. Financial Instruments (continued)

Fair Values of Financial Assets and Liabilities

Fair value is the value for which an asset or liability could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. The Society measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

Where applicable, the Society measures the fair value of an instrument, applying Level 2 of the above hierarchy, using the quoted price in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. For all other financial instruments, the Society determines fair values using other valuation techniques. The table below analyses the Society's financial instruments carried at fair value at 30th April 2022.

	Group and Society	
	2022 £000	2021 £000
Financial assets		
Derivative financial instruments	22,635	1,247
Financial liabilities		
Derivative financial instruments	384	5,879

Credit Risk

The Group's maximum exposure to credit risk is detailed in the table below:

	Group		Society	
	2022 £000	2021 £000	2022 £000	2021 £000
Loans and advances to credit institutions	126,318	157,750	126,318	157,750
Debt Securities	128,414	80,352	128,414	80,352
Loans and advances to customers	1,201,963	1,136,172	1,201,963	1,136,172
Derivative assets	22,635	1,247	22,635	1,247
	1,479,330	1,375,521	1,479,330	1,375,521

Credit risk on loans and advances to customers is shown net of provisions of £866k (2021: £1,539k). The Group's total credit risk exposure to mortgage book and undrawn commitments is £1,274m (2021: £1,188m).

a) Loans and advances to credit institutions, debt securities and derivative financial instruments

The Group's Treasury Policy permits lending to central government (which includes the Bank of England), UK local authorities, banks with a high credit rating and building societies. The Group performs regular analysis of counterparty credit risk and monitoring of publicly available information to highlight possible indirect exposures.

An analysis of the Group's treasury asset concentration is shown in the table below:

	Group		Group	
Industry Sector	2022 £000	2022 %	2021 £000	2021 %
Banks	67,404	27	95,340	40
Building Societies	16,119	6	6,041	2
Central Government	171,785	67	138,577	58
	255,308	100	239,958	100

b) Loans and Advances to Customers

The Society adopts a prudent lending approach to our mortgage customers which helps ensure that our default rates are low. For new customers, the Society relies upon adherence to its Responsible Lending Policy. For existing customers who subsequently apply for additional lending, the same process is adopted. All mortgage applications are overseen by the Lending Operations Team who ensure that all information submitted within the application is validated and loans are approved in line with appropriate lending mandate levels. Credit risk management information is monitored by the Mortgage Lending Risk Committee.

Notes to the Accounts

5. Financial Instruments (continued)

LTV Analysis
Residential

	Group 2022 %	Group 2021 %
The Society's loan book is split between		
0-50%	27	25
50% to 60%	12	12
60% to 70%	11	8
70% to 80%	15	16
80% to 90%	23	22
90% to 100%	12	17
Total	100	100

LTV Analysis
Buy-to-Let

	Group 2022 %	Group 2021 %
0-50%	9	11
50% to 60%	10	11
60% to 70%	19	15
70% to 80%	60	61
80% to 90%	1	1
90% to 100%	1	1
Total	100	100

LTV Analysis
Commercial

	Group 2022 %	Group 2021 %
0-50%	27	37
50% to 60%	18	21
60% to 70%	18	18
70% to 80%	33	22
80% to 90%	1	0
90% to 100%	0	0
Greater than 100%	3	2
Total	100	100

The Society's loan book is comprised of loans fully secured on residential property, buy to let loans and commercial loans. The average loan to value on the loan book is 55% (2021: 56%). The increase on the prior year is in line with the Society's strategy to offer more first-time buyer mortgages. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of collateral held adjusted by a house price index. The collateral consists of residential or commercial property. Residential collateral values are adjusted by the Nationwide price index to derive the indexed valuation at 30 April 2022. This HPI takes into account regional data. The Group uses the index to update the property values of its portfolios on a quarterly basis. Commercial property valuations have not been updated since loan origination.

5. Financial Instruments (continued)

The Society, as a regional building society, has a geographical concentration in Wales. An analysis of the Society's loan portfolio is provided below:

Geographical Split	Group		Group	
	2022 £000	2022 %	2021 £000	2021 %
Wales	500,996	42	514,924	45
South West	185,690	15	169,496	15
Midlands	115,715	10	107,839	9
Outer London	59,481	5	66,655	6
South East	89,738	7	68,934	6
Inner London	93,557	8	68,522	6
North West	87,489	7	51,976	5
Other	69,297	6	87,826	8
	1,201,963	100	1,136,172	100

Arrears Analysis	Group		Group	
	2022 £000	2022 %	2021 £000	2021 %
Neither past due or impaired	1,190,093	99	1,124,225	99
Past due up to 3 months	8,637	1	7,126	1
Past due up to 6 months	758	-	1,793	-
Past due 6 to 9 months	949	-	322	-
Past due over 9 months	1,526	-	2,706	-
	1,201,963	100	1,136,172	100

The above table shows the arrears status of the Society's loan portfolio. The amount included is the entire loan amount rather than just the overdue amount. The quality of the Group's mortgage book is reflected in the number and value of accounts in arrears by value. Only 0.32% (2021: 0.4%) is greater than three months in arrears. Specific provisions are calculated against potentially impaired balances (see note 10).

Notes to the Accounts

6. Administrative Expenses

	Group		Society	
	2022 £000	2021 £000	2022 £000	2021 £000
Staff costs	9,309	7,758	9,309	7,758
Auditor's remuneration:				
Statutory audit of Group and Society	155	155	155	155
Statutory audit of Subsidiary	5	5	5	5
Other services	21	-	21	-
Other expenses	5,001	4,115	5,061	4,163
	14,491	12,033	14,551	12,081

Included in staff costs are defined contribution pension scheme contributions of £557k (2021: £386k).

7. Taxation

	Group		Society	
	2022 £000	2021 £000	2022 £000	2021 £000
Current Tax:				
UK Corporation Tax charge	1,836	353	1,824	336
Adjustments in respect of previous years	(2)	(38)	(2)	(38)
Total current tax charge	1,834	315	1,822	298
Deferred Tax:				
Origination and reversal of timing differences	5	31	5	31
Adjustments in respect of previous years	-	(25)	-	(25)
Effects of changes in tax rates	25	-	25	-
Total deferred tax charge	30	6	30	6
Total tax charge per Income and Expenditure Account	1,864	321	1,852	304
Equity items				
Deferred tax charge /(credit)	75	(57)	75	(57)
Total tax charge	1,939	264	1,927	247

7. Taxation (continued)

The Society was subject to corporation tax of 19% for the year (2021: 19%).From 01.04.23 rate of corporation tax is increasing to 25%.

The charge for the year can be reconciled to the profit in the Income and Expenditure Account as follows:

	Group		Society	
	2022 £000	2021 £000	2022 £000	2021 £000
Profit for the period	9,640	1,887	9,504	1,834
Effects of:				
Tax at 19% thereon (2021: 19%)	1,818	365	1,806	348
Expenses not deductible	23	19	23	19
Income not taxable	-	-	-	-
Adjustments from previous periods	(2)	(63)	(2)	(63)
Qualifying charitable donations	-	-	-	-
Tax rate changes	25	-	25	-
Tax charge for the period	1,864	321	1,852	304
Statement of Financial Position				
Current tax payable	1,559	286	1,539	286
Deferred tax asset	(651)	(755)	(651)	(755)
Deferred tax (assets)/liabilities:				
Deferred tax asset at start of period	(755)	(705)	(755)	(705)
Deferred tax credit to income statement for the period	5	31	5	31
Adjustment in respect of prior years	25	(24)	25	(24)
Deferred tax (charge)/credit in equity for the period	75	(57)	75	(57)
Deferred tax asset at end of period	(651)	(755)	(651)	(755)
Fixed asset timing differences	(39)	124	(39)	124
Short-term timing differences - trading	(612)	(879)	(612)	(879)
	(651)	(755)	(651)	(755)
Deferred tax (assets) recoverable in 12 months	(651)	(879)	(651)	(879)
	(651)	(879)	(651)	(879)
Deferred tax liabilities recoverable in 12 months	-	124	-	124
	-	124	-	124

Notes to the Accounts

8. Debt Securities Issued by Other Borrowers

Debt securities mature from the date of the Statement of Financial Position as follows:

	Group and Society	
	2022 £000	2021 £000
Accrued interest	154	230
Maturing in not more than one year	54,390	4,122
Maturing in more than one year	73,870	76,000
	128,414	80,352
Analysis of Debt Securities:		
Issued by other borrowers	128,414	80,352
	128,414	80,352

The Society held no fixed term deposits as at 30th April 2022.

9. Loans and Advances to Customers

The contractual maturity of advances secured on residential property and other advances secured on land from the date of the Statement of Financial Position is as follows:

	Group and Society	
	2022 £000	2021 £000
In not more than three months	6,383	4,898
In more than three months but not more than one year	10,695	7,472
In more than one year but not more than five years	57,534	57,694
In more than five years	1,128,217	1,067,647
	1,202,829	1,137,711
Provisions for bad and doubtful debts (Note 10)	(866)	(1,539)
	1,201,963	1,136,172
Loans fully secured on residential property	1,177,578	1,116,354
Other loans – fully secured on land	24,385	19,818
	1,201,963	1,136,172

The Society has encumbered £205.7m (2021: £244.8m) of mortgage assets through the Bank of England's Sterling Monetary Framework (SMF). The SMF facilities are accessed via the placement of eligible collateral in the form of approved mortgage portfolios. SMF transactions do not involve the transfer of risk on the collateral and hence fail the derecognition criteria under FRS 102. Therefore, for accounting purposes, the underlying collateral is retained on the Balance Sheet.

Notes to the Accounts

10. Provisions for Bad and Doubtful Debts

In light of the current economic climate the Society has reviewed its assumptions within the impairment model and has made some additional provisions due to the increased level of uncertainty.

Changes to assumptions relating to the potential of increased customer financial difficulty has been reduced and the previously included COVID-19 provision has been fully released (2021: £551k). Additional to this change the Society has assessed the potential impact of inflationary increases and cost of living on its members and an overlay was considered appropriate to increase our provision for affordability stresses totalling £117k. A further reduction to provisioning is due to the position of accounts in arrears and performance of the loan book with customers previously in arrears continuing to pay and improvements in the expected arrears shortfall.

	Group and Society				
	Residential		Commercial		
	Specific £000	Collective £000	Specific £000	Collective £000	Total £000
At 1st May 2021	855	264	394	26	1,539
Amounts utilised in year	(12)	-	-	-	(12)
(Credit)/charge for the year	(615)	20	(44)	(22)	(660)
At 30th April 2022	228	284	349	4	866
At 1st May 2020	638	198	170	-	1,006
Amounts utilised in year	-	-	(146)	-	(146)
Charge for the year	217	66	370	26	679
At 30th April 2021	855	264	394	26	1,539

11. Investments

	Group		Society	
	2022 £000	2021 £000	2022 £000	2021 £000
Shares in subsidiaries	-	-	2,075	2,075
Shares in other investments (Mutual Vision Technologies)	369	369	369	369
	369	369	2,444	2,444

The Society holds directly the following interests in subsidiaries and other investments:

	Country of registration and of incorporation	Principal activity	Class of shares held	Interest of Society
Austin Friars (Newport) Development Company Ltd	England & Wales	Property Company	Ordinary	100%

The Group does not account for Mutual Vision Technologies Ltd as an associated company as the Group does not exercise any power to participate in financial and operating policies of Mutual Vision Technologies Ltd. Mutual Vision Technologies Ltd registered office is Unit 7, Millbank House, Bollin Walk, Wilmslow, SK9 1BJ.

Monmouthshire Building Society is registered in the United Kingdom. Its principal place of business is Monmouthshire Building Society, Monmouthshire House, John Frost Square, Newport, South Wales, NP20 1PX. The registered office and principal place of business of each subsidiary is the same as that of the Society.

12. Derivative Financial Instruments

	Contractual Amount	Fair Value Assets	Fair Value Liabilities
	£m	£000	£000
At 30th April 2022			
Unmatched derivatives	207	2,138	(386)
Derivatives designated in hedging relationships	674	20,497	2
	881	22,635	(384)
At 30th April 2021			
Unmatched derivatives	85	94	(27)
Derivatives designated in hedging relationships	530	1,153	(5,852)
	615	1,247	(5,879)

Interest rate swaps are matched to specific issuances of fixed rate retail shares or loans. All hedges are supported by comprehensive hedging documentation as per the requirement in FRS 102 with the adoption of IAS39. The Society utilises the derivative instruments for hedging purposes only and no such instruments are used for trading activity or speculative purposes. All fair value hedges as at 30th April 2022 are against SONIA or 3 months LIBOR as per note 5.

In July 2017, the FCA announced that the regulator would no longer compel banks to sustain LIBOR beyond 2021. More information on the discontinuation of LIBOR is given in note 5.

Notes to the Accounts

13. Intangible Fixed Assets

	Computer Software
Group and Society	£000
Cost	
At 1st May 2021	2,712
Additions	-
Disposals	(635)
At 30th April 2022	2,077
Amortisation	
At 1st May 2021	1,582
Charge for the year	358
Disposals	(467)
At 30th April 2022	1,473
Net Book Value	
At 30th April 2022	604
At 30th April 2021	1,130

	Computer Software
	£000
Group and Society	
Cost	
At 1st May 2020	2,431
Additions	281
At 30th April 2021	2,712
Amortisation	
At 1st May 2020	1,239
Charge for the year	343
At 30th April 2021	1,582
Net Book Value	
At 30th April 2021	1,130
At 30th April 2020	1,192

14. Tangible Fixed Assets

	Freehold land & buildings	Leasehold improvements	Office equipment & vehicles	Total
	£000	£000	£000	£000
Group				
Cost				
At 1st May 2021	7,281	482	1,617	9,380
Additions	23	306	25	354
Impairment	(600)	-	-	(600)
Disposals	(34)	175	(197)	(56)
At 30th April 2022	6,670	963	1,445	9,078
Depreciation				
At 1st May 2021	1,821	354	1,256	3,431
Charge for the year	132	59	132	323
Disposals	(10)	84	(178)	(104)
At 30th April 2022	1,943	497	1,210	3,650
Net Book Value				
At 30th April 2022	4,727	466	235	5,428
At 30th April 2021	5,460	128	361	5,949

Notes to the Accounts

14. Tangible Fixed Assets (continued)

	Freehold land & buildings	Leasehold improvements	Office equipment & vehicles	Total
Society	£000	£000	£000	£000
Cost				
At 1st May 2021	2,851	2,863	1,565	7,279
Additions	23	306	25	354
Impairment	(600)	-	-	(600)
Disposals	(34)	175	(197)	(56)
At 30th April 2022	2,240	3,344	1,393	6,977
Depreciation				
At 1st May 2021	711	885	1,201	2,797
Charge for the year	94	58	132	284
Disposals	(10)	84	(178)	(104)
At 30th April 2022	795	1,027	1,155	2,977
Net Book Value				
At 30th April 2022	1,445	2,317	238	4,000
At 30th April 2021	2,140	1,978	364	4,482

14. Tangible Fixed Assets (continued)

	Freehold land & buildings	Leasehold improvements	Office equipment & vehicles	Total
	£000	£000	£000	£000
Group				
Cost				
At 1st May 2020	7,281	482	1,710	9,473
Additions	-	-	7	7
Disposals	-	-	(100)	(100)
At 30th April 2021	7,281	482	1,617	9,380
Depreciation				
At 1st May 2020	1,688	261	1,165	3,114
Charge for the year	133	93	148	375
Disposals	-	-	(57)	(57)
At 30th April 2021	1,821	354	1,256	3,431
Net Book Value				
At 30th April 2021	5,460	128	361	5,949
At 30th April 2020	5,593	221	545	6,359

Notes to the Accounts

14. Tangible Fixed Assets (continued)

	Freehold land & buildings	Leasehold improvements	Office equipment & vehicles	Total
Society	£000	£000	£000	£000
Cost				
At 1st May 2020	2,851	2,863	1,658	7,372
Additions	-	-	7	7
Disposals	-	-	(100)	(100)
At 30th April 2021	2,851	2,863	1,565	7,279
Depreciation				
At 1st May 2020	616	792	1,112	2,520
Charge for the year	95	93	161	349
Disposals	-	-	(72)	(72)
At 30th April 2021	711	885	1,201	2,797
Net Book Value				
At 30th April 2021	2,140	1,978	364	4,482
At 30th April 2020	2,235	2,071	546	4,852

15. Shares

	Group and Society	
	2022	2021
	£000	£000
Held by individuals	**994,964**	**1,002,010**

Shares are repayable from Statement of Financial Position date in the ordinary course of business as follows:

	2022	2021
	£000	£000
Accrued interest	635	803
On demand	516,593	440,582
In not more than three months	262,618	361,989
In more than three months but not more than one year	129,628	78,779
In more than one year but not more than five years	85,490	119,857
	994,964	1,002,010

16. Amounts Owed to Credit Institutions

Amounts owed to credit institutions are repayable from the Statement of Financial Position date in the ordinary course of business as follows:

	Group and Society	
	2022	2021
	£000	£000
Accrued interest	113	26
In not more than three months	13,030	2,500
In more than three months but not more than one year	4,432	6,323
In more than one year but not more than five years	157,405	81,392
	174,980	90,241

Amounts owed to credit institutions includes £150,092k (2021: £75,006k) of Term Funding Scheme funding from the Bank of England. Security for this is given in the form of collateralised mortgages.

17. Amounts Owed to Other Customers

Amounts owed to other customers are repayable from the Statement of Financial Position date in the ordinary course of business as follows:

	Group and Society	
	2022	2021
	£000	£000
Accrued interest	63	142
On demand	108,760	91,894
In not more than three months	93,343	99,381
In more than three months but not more than one year	34,735	24,985
In more than one year but not more than five years*	3,000	-
	239,901	216,402

*£3m wholesale deposit matures in August 2023, total interest to be paid to counterparty of £21k.

18. Other Liabilities

	Group		Society	
	2022 £000	2021 £000	2022 £000	2021 £000
Falling Due within One Year:				
Loans from subsidiaries on demand	-	-	718	718
Corporation tax payable	1,592	286	1,568	286
Other creditors	593	1,881	602	1,861
	2,185	2,167	2,888	2,865

Notes to the Accounts

19. Provisions for Liabilities

	FSCS Levy	Total
	£000	£000
Group and Society		
At 1st May 2022	32	32
Charge for the year	17	17
Amounts utilised	(49)	(49)
At 30th April 2022	-	-

Financial Services Compensation Scheme Levy

Based on its share of protected deposits, the Society pays levies to the FSCS to enable the FSCS to meet claims against it. Since 2008, a number of institutions were declared in default by the PRA (formerly FSA).

20. Information Regarding Directors and Employees

a) Employment

	Group and Society	
	2022	2021
	£000	£000
Costs (excluding Non-Executive Directors):		
Wages and salaries	7,702	6,819
Social security costs	742	553
Other pension costs	865	386
	9,309	7,758

Employees

	Group		Society	
	2022	2021	2022	2021
Average number employed during the year:				
(i) at the Society's Head Office:				
Full-time	136	120	136	120
Part-time	13	16	13	16
(ii) at Branch Offices:				
Full-time	27	26	27	26
Part-time	29	33	29	33
	205	195	205	195

b) Other Pension Costs

The Society operates both a defined contribution scheme and a defined benefit final salary pension scheme. The assets of the defined benefit scheme are held separately from those of the Society and are invested by the scheme fund manager. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent full actuarial valuation was at 6 April 2019.

This showed that the market value of the scheme's assets at that time was £13.2m. From 5 April 2005, members' pensionable salary increases were restricted to the lower of RPI or 5%.

The closure of the Society's defined benefit pension scheme to new accrual during the year ended 30 April 2020 revealed an issue relating to the original drafting of the scheme rules dating back to 1994. The Directors have considered the impact of this issue and recognise that, although it is considered unlikely based on legal advice received, it is possible that there is an obligation arising from errors previously made within the original drafting of the scheme rules, whose existence will be confirmed only by the legal outcome. The potential liability has been valued at £3.2m by a qualified actuary as at 30 April 2022. Therefore a contingent liability of £3.2m (2021:£0m) has been disclosed. See note 27.

Pension Valuation

The results of an actuarial review consistent with methods described in FRS 102 are as follows:

The amounts recognised in the Statement of Financial Position:

	Group and Society	
	2022	2021
	£000	£000
Present Value of Funded Obligations	16,177	18,314
Fair Value of Fund Assets	(13,909)	(14,389)
Deficit	2,268	3,925

The amounts recognised in the Statement of Other Comprehensive Income	2022 £000	2021 £000
Actuarial (loss)/gain on plan assets	(747)	399
Actuarial gain/(loss) on defined benefit obligation	1,976	(237)
Total gains	1,229	162
Actuarial gain/(loss) on defined benefit obligation		
Of which due to experience	(271)	-
Of which due to demographic assumptions	-	-
Of which due to financial assumptions	2,247	(237)
Actuarial gain/(loss) on defined benefit obligation	1,976	(237)

Notes to the Accounts

Pension Valuation (continued)

Changes in the Present Value of the Defined Benefit Obligation:	2022 £000	2021 £000
Liabilities at the beginning of the period	18,314	18,179
Interest cost	361	306
Service cost	-	26
Contributions by members	-	9
Actuarial gain	(1,976)	237
Benefits paid	(522)	(443)
Liabilities at the end of the period	16,177	18,314

Changes in the Fair Value of Plan Assets:	2022 £000	2021 £000
Fair value of plan assets at the beginning of the period	14,389	13,877
Interest income	288	235
Actuarial (loss) / gain	(747)	399
Contributions by the employer	501	312
Contributions by members	-	9
Benefits paid	(522)	(443)
Fair value of plan assets at the end of the period	13,909	14,389

Analysis of Return on Plan Assets :	2022 £000	2021 £000
Interest income	288	235
Actuarial (loss) / gain on plan assets	(803)	399
Return on plan assets	(515)	634

Major categories of plan assets as a percentage of total assets:

The fair value of plan assets includes the use of appropriate valuation techniques in accordance with FRS 102. These include publicly quoted indices for assets traded on the open market and investment managers' own, unaudited valuation models for assets that are not publicly traded.

	2022 £000	2022 %	2021 £000	2021 %
Equities	6,430	46.2	6,647	46.2
Bonds	6,130	44.1	6,734	46.8
Cash and Net Current Assets / (Liabilities)	92	0.7	(369)	(2.6)
Annuities	1,258	9.0	1,377	9.6
	13,909	100	14,389	100

Pension Valuation (continued)

Amounts Recognised in the Income Statement	2022 £000	2021 £000
Service cost (including Guaranteed Minimum Pension Costs)	-	26
Net interest cost	73	71
Total Pension expense	73	97

Principal Actuarial Assumptions at the Balance Sheet Date:	2022 %	2021 %
Discount rate	3.1	2.0
RPI price inflation	3.7	3.2
CPI price inflation	3.2	2.2
Rate of increase in salaries	3.7	3.2
Rate of increase in pensions in payment	3.5	3.1
Post retirement mortality	S2NxA CMI 2018 (1.00%)	S2NxA CMI 2018 (1.00%)

Life Expectancies	2022 years	2021 years
Current pensioners age 60 - males	26.3	26.2
Current pensioners age 60 - females	28.5	28.4
Future pensioners age 60 (currently age 40) - males	27.5	27.4
Future pensioners age 60 (currently age 40) - females	29.7	29.7

21. Capital and other Commitments

Capital commitments contracted for but not provided in these accounts were £nil (2021: £nil). The Group has undrawn lending commitments of £72m as at 30th April 2022 (2021: £52m). There are no impairments on these commitments. Credit risk is controlled through the Group and Society's Lending Policy.

22. Commitments Under Non-Cancellable Leases

The Group has the following commitments in respect of operating lease rentals:	2022 £000	2021 £000
Less than one year	190	176
Between one and five years	400	277
Greater than five years	310	116
	900	569

Total lease expenditure for the year was £227k (2021: £184k).

Notes to the Accounts

23. Commitments Under Non-Cancellable Leases

The Group leases out properties under non-cancellable operating leases for the following minimum future lease payments. There are no contingent rents:	2022 £000	2021 £000
Less than one year	18	18
Between one and five years	72	90
Greater than five years	27	54
	117	162

24. Other Assets

	Group		Society	
	2022 £000	2021 £000	2022 £000	2021 £000
Deferred tax	651	755	651	755
Other sundry debtors	15	396	(4)	373
	666	1,151	647	1,128

25. Analysis of change in net debt

	Group		
	2022 £000	Cashflows £000	2021 £000
Cash and cash equivalents:			
Cash in hand	695	86	609
Loans and advances to credit institutions	126,317	(32,042)	158,359
Borrowings:			
Amounts owed to credit institutions	(174,980)	(84,739)	(90,241)
	(47,968)	(116,695)	68,727

26. Related Parties

The remuneration of the Directors (including Non-Executive Directors), who are the key management personnel of the Group, is set out in the Directors' Remuneration Report on page 50.

The year-end positions in relation to related party companies are disclosed in note 11 of these accounts. In addition, the Society undertook the following transactions with Group companies during the year:

	2022 £000	2021 £000
Rent paid to Austin Friars (Newport) Development Company Ltd	(60)	(60)

The Society has an investment in Mutual Vision Technologies, who hold a deposit with the Society as at the 30 April 2022 of £1,821k (2021: 1,514k).

Loans to Directors

There was an aggregate of £529k (2021: £545k) outstanding at the end of the financial year in respect of secured advances made prior to or during the year to Directors. As required by the Society's Rules, each Director has a share account.

27. Financial commitments and contingent liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that the obligation will be settled and it can be reliably estimated. Where it is not probable that the obligation will be settled and/or it cannot be reliably estimated, a contingent liability is disclosed in the notes to the accounts.

Contingent Liabilities

At 30th April 2022, the Group holds a pension liability of £2.3m which reflects management's best estimate of the present value of future cash flows required to settle its remaining obligations, based on analysis performed by a qualified actuary. See Note 20 for further details.

During the year ended 30th April 2020, the Society closed its defined benefit pension scheme to new accrual. A legal review was conducted as part of the closure process, which identified two issues. The first issue related to the incorrect calculation of pensions, which did not consider the amendments to the pensionable earnings definition over time in the scheme's applicable governing trust deed and rules. This resulted in a one-off increase in the pension scheme liability of £1.1m within the 30th April 2020 Annual Report and Accounts. The second issue related to the original drafting of the scheme rules dating back to 1994. The directors considered the impact of this issue and no adjustment was made to the liability as at 30th April 2020 and as at 30th April 2021, based on legal advice received as the likelihood was deemed to be remote.

There still remains uncertainty in relation to the value of the Society's defined pension scheme liability resulting from the second issue as described above. Given that legal proceedings are still ongoing two years after the second issue was identified, management recognise that although unlikely, it is possible that there is an obligation arising from errors previously made within the original drafting of the scheme rules, which has been valued at £3.2m by a qualified actuary as at 30th April 2022, whose existence will be confirmed only by the legal outcome. Therefore, a contingent liability of £3.2m exists as at 30th April 2022 (30th April 2021:£nil).

28. Country by Country Reporting

- Name, nature of activities and geographical location: The Society has 1 subsidiary and operates only in the United Kingdom.
- The principal activities of the Society are noted in the Directors' Report.
- The average number of employees is disclosed in Note 20 of the accounts.
- Net operating income and profit before tax is set out in the Income and Expenditure Account.
- Corporation tax paid is set out in the Consolidated Cash Flow Statement.
- No public subsidies were received in the year ended 30th April 2022.

Annual Business Statement

1. Statutory Percentages

	Percentages at 30th April 2022	Statutory Limit
	%	%
Proportion of business assets not in the form of loans fully secured on residential property (the "lending limit")	2	25
Proportion of shares, deposits and debt securities in the form of shares not held by individuals (the "funding limit")	28	50

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 substituted by the Building Societies Act 1997 and are based upon the consolidated Statement of Financial Position.

Business assets are the total assets of the Society and its subsidiary undertakings as shown in the Statement of Financial Position plus provisions for bad and doubtful 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 bad and doubtful debts and interest in suspense.

2. Other Percentages

	2022	2021
	%	%
As a percentage of shares and borrowings:		
Gross capital	5.13	4.86
Free capital	4.76	4.34
Liquid assets	18.12	18.24
As a percentage of mean total assets:		
Profit after tax	0.54	0.12
Management expenses	1.10	0.97
Cost income ratio	63.67	83.07

Note: The above ratios have been calculated from the Group Statement of Financial Position:

(i) Gross capital represents total reserves.
(ii) Free capital represents gross capital and collective provision for bad and doubtful debts, less all tangible assets.
(iii) Shares and borrowings represent the aggregate shares, amounts owed to credit institutions and amounts owed to other customers.
(iv) Liquid assets represent the total of cash in hand, loans and advances to credit institutions and debt securities issued by other borrowers as shown in the Statement of Financial Position.
(v) Mean total assets is the average of the respective 2021 and 2022 figures.
(vi) Management expenses represent the aggregate of administrative expenses and depreciation.
(vii) Cost income ratio represents administrative expenses including depreciation divided by total operating income.

3. Information Relating to Directors and Other Officers

Name	Occupation	Date of birth	Date of appointment
T Barratt	Risk Specialist and Director	28.04.60	13.07.16
C I Brereton	Chartered Accountant	29.09.58	24.03.22
W J Carroll	Chief Executive Officer	17.02.77	30.04.09
M Evans	Chartered Insurance Broker	08.10.77	24.06.21
D M Gunter	Chief Operating Officer	06.01.71	08.03.18
D R Lewis	Chartered Accountant	09.09.62	01.09.14
E L McKenzie	Chief Operating Officer	12.07.65	01.09.18
A D Morgan	Chartered Accountant	21.09.52	01.10.13
R D Turner	Asset Manager Chief Executive Officer	06.07.60	25.09.15

Any notice or other document may be served on the Society under its rules by leaving it addressed to the Secretary or sending it by post to the Secretary at the Society's principal office.

Other Directorships and Appointments:

T Barratt	Omega Consultancy Limited
C I Brereton	Royal National Childrens Springboard Foundation Floreat Education Academies Trust Farm Africa BnkPro (Europe) Limited BnkPro Limited FxPro Limited
W J Carroll	Austin Friars Development Company Ltd
M Evans	Elevate B C Ltd Llansteffan Castle Ltd Cirencester Friendly Society
D M Gunter	Monmouthshire Building Society Charitable Foundation Ltd
E L McKenzie	West Midlands Growth Company Tended Ltd Brunel Pension Partnership
A D Morgan	Geldards LLP (Independent Adviser) Power Poles Ltd
R D Turner	F M Capital Partners Ltd

Officers Name	Occupation
L Burgess	Head of People & Culture
W J Carroll	Chief Executive Officer
D M Gunter	Chief Operating Officer
J M Bill	Interim Chief Financial Officer
D Mollison (Resigned 31.05.22)	Chief Risk Officer
E Wilkins (Appointed 01.04.22)	Chief Customer Officer
S A Phillips (Appointed 01.04.22)	Community Bank Programme Director

At 30 April 2022, W J Carroll had a service contract which is terminable by the Society by giving 12 months' notice.
D M Gunter had a service contract which are terminable at 6 months' notice.

Branch Offices and Agencies

Head Office and Main Branch Office

NEWPORT	Monmouthshire House, John Frost Square, Newport, NP20 1PX	Tel: 01633 844444 www.monbs.com

Branch Offices

BRECON	6b The Bulwark, LD3 7LB	Tel: 01874 641227
CAERLEON ROAD	183 Caerleon Road, NP19 7HA	Tel: 01633 254891
CALDICOT	27 Newport Road, NP26 4BG	Tel: 01291 437722
CHEPSTOW	19 High Street, NP16 5LQ	Tel: 01291 629306
CWMBRAN	8 The Parade, NP44 1PT	Tel: 01633 833933
HANDPOST, NEWPORT	234 Stow Hill, NP20 4HA	Tel: 01633 213276
MONMOUTH	10 Agincourt Square, NP25 3DY	Tel: 01600 713383
RISCA	48 Tredegar Street, NP11 6BW	Tel: 01633 613181
SWANSEA	18 Union Street, SA1 3EH	Tel: 01792 657460

Agency Offices

ABERGAVENNY	Bidmead, Cook Limited 15 High Street, NP7 5RY	Tel: 01873 853640
ABERTILLERY	Simon Thompsett Associates Ltd 40 Church Street, NP13 1DB	Tel: 01495 211535
BLACKWOOD	UKTS Ltd 221 High Street, NP12 1AL	Tel: 01495 220003
CARDIFF	Beacon Independent Advice Ltd 18 Merthyr Road, Whitchurch CF14 1DG	Tel: 02920 618989
CLEVEDON	Newsham Hanson Limited Edinburgh House, 1-5 Bellevue Road, BS21 7NP	Tel: 01275 878548
GRIFFITHSTOWN	Simon Thompsett Associates Ltd 12 Windsor Road, NP4 5HY	Tel: 01495 757121
HEREFORD	Trivett Hicks Estate Agents 10 St Peters Street, HR1 2LE	Tel: 01432 274300
KENFIG HILL	Elite Independent Mortgages Ltd 61 Commercial Street, CF33 6DH	Tel: 01656 745065
PENARTH	Watts & Morgan Estate Agents 3 Washington Buildings, Stanwell Road CF64 2AD	Tel: 02920 711340
PORTISHEAD	Brooking, Ruse & Co Ltd 108 High Street, Portishead, Bristol, BS20 6AJ	Tel: 01275 845451
ROSS ON WYE	Trivett Hicks Estate Agents 53 Broad Street, HR9 7DY	Tel: 01989 764183
USK	M2 Estate Agents 17 Bridge Street, Usk. NP15 1BQ	Tel: 01291 673347

Monmouthshire
Building Society

Tel: 01633 844 444 **www.monbs.com**

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To find out how we use your data, please visit www.monbs.com/privacy, pop into a branch, call our Customer Services Department (01633 844340) or email dataprotection@monbs.com

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

Monmouthshire House, John Frost Square, Newport, South Wales, NP20 1PX.

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