Annual Report & Accounts

YEAR ENDED 30TH APRIL 2024

Monmouthshire Building Society

Monmouthshire Building Society

Monmouthshire House
John Frost Square, Newport, South Wales, NP20 1PX.
Established 1869. Registered No 377B
Telephone: 01633 844 444

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Our 2024 Highlights

£1,699.3m
Total Assets

£2.3m
Profit after tax

£7.2m
Underlying profit before tax*

Over
£6k
contributed to our charity of the year

The Society scored
95%
for Customer Satisfaction

13.5%
Common Equity Tier 1 ratio**

Results	2024	2023
Growth		
Total Assets (£ millions)	1,699.3	1,618.5
Total Mortgage Assets (£ millions)	1,365.3	1,291.3
Lending		
Gross New Lending (£ millions)	237.9	284.9
Net Lending (£ millions)	74.3	104.2
Net Interest Margin %	1.90	1.79
Capital		
Common Equity Tier 1 ratio**	13.5	14.2
Profitability		
Profit After Tax (£ millions)	2.3	9.7
Profit After Tax Ratio (% mean total assets)	0.14	0.62
Management Expenses Ratio (% mean total assets)	1.43	1.46
Cost Income Ratio (%) Pre-Fair Value gains / losses	77.1	82.0
Cost Income Ratio (%) Post-Fair Value gains / losses	87.8	63.3

* Underlying profit before tax is profit before tax excluding fair value movements resulting from hedge accounting and on derivative financial instruments. This is an alternative performance measure not required by UK GAAP. The Group uses derivative instruments (swaps) to hedge interest rate risk arising from fixed rate mortgages. Any gains or losses arising from fair value movements are timing differences which do not affect underlying cash flows or business performance. As a result, they are excluded from the Group's underlying profit or loss before tax.

** Refers to the Society's standalone Common Equity Tier 1 capital and associated risk weighted assets.

Chair's Introduction and Review

As Chair of Monmouthshire Building Society, I am delighted to introduce the annual report and accounts for Monmouthshire Building Society. Your Society has continued to perform strongly in a year when challenging macroeconomic conditions persisted. Our mutual values and core purpose of 'helping members, communities and colleagues to thrive', has ensured that we remain focused on you, our members, whilst the continued commitment, enthusiasm and dedication of our colleagues led to the Society delivering a solid performance for all of its stakeholders.

An evolving strategy through economic uncertainty

The headwinds which we faced in the last financial year continued. These included a smaller mortgage market, house prices on a declining trajectory, continued pressures on the cost of living, a sluggish economy and intensified competition. The Society has adapted quickly to these economic conditions. In July 2023, we announced that as a result of the economic uncertainty, the Society ceased working with Welsh Government on the aspiration of the Banc Cambria community banking model across Wales. Despite this, we continued to implement our five year strategic plan, the Board taking the decision to reprioritise some key strategic initiatives whilst undertaking a full review of the Society's strategy.

Following the considerable successes at the Society since commencing our previous strategy in 2021, May 2024 sees the launch of our new strategic plan, which focuses on sustainable growth through modernisation. We will seek to enhance our technology infrastructure to support our business and enable future growth, but modernisation is about more than adopting new technologies, it is about transforming our mindset and ways of working. By streamlining processes, fostering a culture of continuous improvement and embracing modern innovation and new practices, we'll unlock new opportunities and further potential to build our Society for new and existing members. Further detail on the Society's new strategy is detailed in the Strategic Report on page 8.

Following the launch of our new strategy, a general election was announced and subsequently took place on July 4, 2024. The Board and Executive will closely manage any political uncertainty resulting from the change in government and monitor the impact on its strategy.

Clear prioritisation and focus on our members

At the heart of our strategy we remain true to the essence of our organisational purpose of helping members, colleagues and communities to thrive. As a mutual Building Society, we seek to balance the interests of our savings and mortgage members.

As interest rates continued to rise during the year, we increased our savings rates across our range, providing attractive returns to our existing loyal savers and attracting new members to the organisation. This has led to continued growth in core retail funding, the bedrock on which our Society thrives. We will always look to support our savings members in this way and continued to increase returns for our savings members throughout the year.

Interest rate increases impact upon the ability to pay of mortgage borrowers, in particular those who are on a variable rate or nearing the end of their fixed rate mortgage term and face increases in their monthly payments. Since January 2022, the Society has sought to soften the blow to these members of rising bank rate increases of 5.00%, by only passing on 3.75% of those increases to its standard variable mortgage rate.

The Society's borrowers continue to maintain payments on their mortgages resulting in low levels of arrears across the mortgage book (see Directors' Report page 24). However, we recognise that our members may require additional support during these difficult times and we continue to monitor performance of our mortgage book closely. The impact of higher mortgage rates could lead to financial difficulties and we have a team of dedicated specialists available to speak with those members concerned about their mortgage repayments. This helps to ensure that we continue to meet the individual needs of our members, providing tailored solutions that will support them through difficult times. We signed up to the Government's voluntary Mortgage Charter which provides support options to homeowners, for example by temporarily switching to interest only or extending a mortgage term. Whilst these options already formed part of a range of forbearance and support options we offer, it does provide support and reassurance to borrowers.

Feedback provided from members continues to give us a good measure of how we are doing. Through the continued excellence of service from our teams across the business, we have achieved a customer satisfaction score of 95% throughout the year.

Communities

The Society continues to play our role in wider community, with money and time being given to our charity partners. The Society continues to raise much needed awareness and funds for our charity partner Shelter Cymru as well as providing financial support to many other grass roots organisations through our Branching into Communities programme.

The Society's Charitable Foundation was founded in 2000 and supports local community groups across South Wales and the South West of England. The foundation was relaunched in 2021 and in the last financial year made donations to 42 community groups, charities and organisations of £35k (2023: £45k).

We plan to continue to support the communities in which we operate by maintaining our branch footprint over the coming years, alongside the development of our digital capabilities. Our Branching into Communities initiative run by our branches led to grass root sponsorship of 43 local community initiatives. We have also been delighted to welcome community groups into our Cardiff site, providing space for them to run workshops, meetings and events in a modern, fit-for-purpose environment.

The Society's 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. In the year, our colleagues invested 1,894 hours in community and charitable initiatives, reflecting their commitment to the Society's purpose.

And our colleagues

Colleagues are at the very heart of the success of Monmouthshire Building Society. Our personal service differentiates us from many of our competitors. We aim to create a positive environment for our colleagues, helping them grow professionally and personally while also remaining focused on the types of behaviours, skills, and capabilities the Society is going to need in the future. We continue to place focus on colleague attraction, retention and development through our people strategy in a challenging market.

Our Board

James Greenwood and Mike Jones were appointed to the Board as Non-Executive Directors during the year. James has become Chair of the Society's Transformation Oversight Committee which was formed during the year. It is planned that Mike will succeed Trevor Barratt as Chair of the Society's Board Risk Committee, subject to regulatory approval. Profiles of both James and Mike are included on pages 26 to 27 and I look forward to working with them. Both will be up for election at our Annual General Meeting (AGM) on 21 August 2024. On 31 March 2024, Tom Leach, the Chief Financial Officer left the Society. The Society will conduct a full search for his replacement in the new financial year.

As we enter our 156th year, Monmouthshire Building Society remains a safe, resilient home for your savings and is well positioned to meet the future challenges and opportunities that lie ahead.

I would like to record my thanks to the Board, the management team and all colleagues at the Society for their continued efforts and support in ensuring the ongoing success of our Society. I would also like to say thank you to you, our members, for your unwavering support through some difficult times.

R Turner

Chair

11 July 2024

Strategic Report

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.

"A modern mutual embraces innovation and change to serve the evolving needs of its members and communities.

It is characterised by a commitment to modernising its operations, leveraging digital technology, and maintaining a strong online presence while still valuing and preserving face-to-face interactions."

Will Carroll
Chief Executive Officer

Our performance against our 2021 strategy.

As we look back on our recent achievements, we have much to be proud of:

- **We have proved that we can achieve ambitious growth targets:** Extending our reach beyond our heartland whilst improving our resilience by strengthening our capital ratios.
- **We can attract new talent** and develop our people whilst retaining our unique values and culture. We have **revolutionised our working practices**, offering fully flexible working in contemporary environments.
- **We have begun our journey of transformation:** We are developing digital services for our members and automating our most resource intensive processes.
- We have **reduced our carbon footprint** and are supporting our members in doing so through our range of energy efficient lending solutions that **support members to become carbon neutral**.
- We have **extended our reach** and demonstrated commitment to our communities through our new branches in Cardiff and Brecon.

Our people have embraced new 'post pandemic' ways of working, driven the automation of our most labour-intensive processes, and continued to innovate the products and services we offer to our members. We've done this by optimising the capabilities of our existing systems and maximising the use of available capital to overcome the constraints of economic adversity and uncertainty.

£1.7bn Total assets

26.8% Members with multiple products

Mortgage balances **£1.37bn**

4.84 Smart Money People Rating

Total members **71,118**

1,894 volunteering hours

20 deployments across **9** business areas saving over **5,000** hours in the past **24** months

52% reduction in carbon emissions in 2022/23 compared 2021/22 (excl Cardiff branch).

Savings balances **£1.44bn**

95% of colleagues are proud to work for MBS

£35,304 Donated by MBS Charitable Foundation

However, the sustained period of economic uncertainty has also presented challenges and necessitated some difficult decisions.

In December 2021, we announced our intention to develop a community bank for Wales. Since then, the UK's economic situation has changed significantly - interest rates have risen to 5.25% and cost-of-living pressures remain.

As a purpose-driven mutual building society, we prioritise our members and the communities they live in. This means we won't take any unnecessary risks that could potentially impact on the Society's performance or the trust our members place in us.

Given the prevailing unpredictability and challenges facing the UK economy, we decided to stop working on our plans to deliver a community bank. We believe this was the right and responsible thing to do.

Our Purpose, Vision & Values

OUR PURPOSE

Helping members, colleagues and communities to thrive

OUR VISION

To be an innovative, exciting, modern mutual

OUR VALUES

Community
We make our communities better

Personal
Our members and colleagues are unique, and we support their different journeys and needs

Dynamic
We are adaptable in our approach

Quality
What we do, we do well.

Our Business Model

We are proud to be a Building Society and of the role we play in providing financial services to the people of south Wales reaching across the rest of Wales & England.

We exist for the sole purpose of serving our members, offering good value products, and providing access to services that reflect member needs.

Focusing on meeting member needs has traditionally resulted in high levels of satisfaction, advocacy, and loyalty for Building Societies, but also creates commercial pressures to maintain services that non-mutual competitors may consider uneconomical.

We are predominantly retail funded and have a business model focused on the retail housing market. This manifests itself in a low risk, but often low margin business model.

With no pressure from shareholders to make short term profits, we can take a longer-term strategic view.

However, the absence of external shareholder scrutiny adds an additional responsibility for us to balance the short-term needs of members and the long-term sustainability of the Society.

Our Members & Communities

Member-led products and services

In the last twelve months, we launched 145 savings products and 224 mortgage products (excluding commercial lending). This proves our dedication to meeting the diverse needs of our members and our commitment to delivering products that cater to their specific preferences.

To support our members on their carbon reduction journeys, we have surpassed our target percentage (10%) of 'on sale' products that support green initiatives, with 12 Energy Efficient Home Purchase and Remortgage products that offer improved affordability criteria for properties with 'A' and 'B' rated Energy Performance Certificates in recognition of the lower energy costs associated with operating these 'greener' homes. We recently launched a new way for members and non-members to provide real-time feedback through Smart Money People. This feedback enables us to gain a better understanding of what we do well and where we can improve.

Community

Helping communities thrive is core to our purpose. We play a vital role in the economic wellbeing of the communities we serve. Today, our 11 branches and 11 agencies represent 20% of financial services outlets in the heartland, up from 15% five years ago.

In the last twelve months, members have made over 180,000 transactions in our branches to a value of more than £752m from deposits and withdrawals..

Our colleagues have also participated in serving the local communities by fundraising and volunteering their time and effort to good causes. In the last 12 months, our colleagues have given 1,894 volunteering hours and the MBS Charitable Foundation donated £35,304 to 42 local groups and charities.

Colleague & culture

Our latest colleague survey results indicated that 95% of colleagues were proud to work for us, demonstrating our commitment to support a culture where colleagues can thrive by attracting, guiding, developing and engagement. This is supported by initiatives such as our colleague development programme Accelerate & Amplify, a proactive Colleague Forum and regular colleague surveys which identify what we do well and what we could improve.

Our approach to health and wellbeing is constantly evolving to support colleagues throughout their personal and professional lives. Our colleague-led wellbeing groups targeting different areas (emotional, physical and financial wellbeing) have successfully developed and deliver a wide variety of activities and initiatives including a menopause café, "Walking Wednesdays", yoga sessions and more.

Our Financials

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

	Results	2024	2023	Description
Growth	Total assets (£m)	£1,699.3	£1,618.5	Total assets of the Society, comprising primarily mortgage assets.
	Total Mortgage assets (£m)	£1,365.3	£1,291.3	Mortgage assets represent loans to the Society's members.
Lending	Gross new lending (£m)	£237.9	£284.9	The total value of new loans to the Society's members over the past year.
	Net lending (£m)	£74.3	£104.2	The net value of lending for the year, comprising gross new lending less mortgage capital repayments and redemptions in the year.
	Net interest margin %	1.90%	1.79%	Net interest receivable for the year as a % of mean total assets.
Capital	Total Reserves (£m)	£85.4	£82.5	The accumulated profits of the Society since inception over 150 years ago.
	Common Equity Tier 1 capital (£m)**	£82.4	£81.7	Common Equity Tier 1 capital (the highest quality form of capital) consists of statutory capital (total reserves) less intangible assets.
	Common Equity Tier 1 ratio (% of risk-weighted assets)**	13.5%	14.2%	Common Equity Tier 1 capital as a percentage of risk-weighted assets.
Profitability	Underlying profit before tax (£m)*	£7.2	£3.8	The profit for the year, excluding fair value gains for derivative instruments.
	(Loss) / Gain on fair value adjustments (£m)	(£3.7)	£8.2	The fair value (loss) / gain on adjustments for derivative instruments.
	Profit after tax (£m)	£2.3	£9.7	The profit for the year after taking account of taxes.
	Profit after tax ratio (% of mean total assets)	0.14%	0.62%	The ratio of profit after tax to mean total assets.
	Management expense ratio (% of mean total assets)	1.43%	1.46%	The ratio of administrative expenses, depreciation and amortisation to mean total assets.
	Cost / income ratio (%) pre-fair value gains	77.1%	82.0%	The ratio of administrative expenses, depreciation and amortisation to total operating income, excluding fair value gains for derivative instruments.
	Cost / income ratio (%) post-fair value gains	87.8%	63.3%	The ratio of administrative expenses, depreciation and amortisation to total operating income, including fair value gains for derivative instruments.

* Underlying profit before tax is profit before tax excluding fair value movements resulting from hedge accounting and on derivative financial instruments. 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. Any gains or losses arising from fair value movements are timing differences which do not affect underlying cash flows or business performance. As a result, they are excluded from the Society's underlying profit or loss before tax.

** Refers to the Society's standalone Common Equity Tier 1 capital and associated risk weighted assets.

Sustainable, profitable growth

Since the start of our previous strategy in May 2021 to April 2024, the Society has achieved sustainable, profitable organic growth. The original strategy was based upon a capital injection to launch the Community Bank, which did not materialise. As already noted, this was because of changes in the macro-economic environment. Our financial targets and position therefore changed as a result.

- Our **total assets** have increased by 21% from £1.4bn to £1.7bn over the strategic period. We have continued to grow sustainably, albeit at a slower rate than originally planned.
- Our **savings** balances grew 23% from £1.17bn to £1.44bn, reflecting our commitment to our savings members and competitive products.
- Our **mortgage balances** grew by 21% from £1.13bn to £1.37bn. This has been achieved in a difficult housing market which has faced notable challenges in the face of rising interest rates.
- **Administration costs** as a percentage of total assets rose 41% from 1.02% to 1.43% during the strategic period. Cost increases attributable to growth of the business have been exacerbated by high inflation throughout the period and the cost of living crisis.
- **Total members** grew by 2.1% in 2023 reaching 71,118 by calendar year end.
- At 31 December 2023, 26.8% of members held multiple products with the Society, up from 25.4%
- Profit during the strategic period has remained robust and higher than planned, despite the challenges we have faced with rising costs, the economic impact of the pandemic and an uncertain economic environment.

Performance for the year

Growth

The Society's balance sheet grew by 5.0% (2023: 8.7%) to £1.70bn (2023: £1.62bn) in the year. Competition remained fierce, although effective pricing and competitive products for both borrowing and saving members ensured the Society was able to maintain growth in a sustainable manner. Liquidity remained broadly consistent with the prior year at 18.3% of shares and deposit liabilities (2023: 17.8%).

Lending

The Society grew its lending book by 5.7% (2023: 7.4%) to £1.37bn (2023: £1.29bn) with net lending of £74.3m (2023: £104.2m).

Loan loss provisions have decreased in the year and arrears experience has remained low (see Directors' Report on page 24), despite the challenging economic environment experienced by members, as a result of the Society's responsible lending policy and robust underwriting criteria. At the year-end, provisions were assessed as £1.0m (2023: £1.6m), with a release of £0.1m to profit (2023: £1.1m debit) for the year. Further detail on provisions is contained in note 10 to the financial statements.

Capital

The Society has continued to focus on ensuring we have sufficient capital to enable sustainable growth. The Society has sufficient levels of capital above its regulatory requirements and a solid foundation with which to achieve its strategic plan. The Society's capital reserves stood at £85.0m (2023: £82.1 million) at the year-end. The Society's Common Equity Tier 1 ratio, the ratio of Common Equity Tier 1 capital to risk weighted assets, was 13.5% at the end of the year (2023: 14.2%); its solvency ratio (the ratio of total regulatory capital to risk weighted assets) was 13.6% (2023: 14.3%). The Society complied with its Total Capital Requirement (TCR) plus capital buffers, as notified by the Prudential Regulation Authority, throughout the financial year.

Profitability

The Society generated a statutory profit before tax for the year of £3.4m (2023: £12.0m), with the movement year on year attributable to movement in relation to fair value adjustments for the year. Fair value gains seen in previously years were expected to reverse in future years through the mechanism of hedge accounting and the Society's fair value losses for the year of £3.7m (2023: £8.2m gain) were mostly related to movement in fair values of swaps between inception and designation into a hedging relationship. Hedges remain highly effective. Underlying profit before tax for the year (profit for the year, excluding fair value losses/gains for derivative instruments) £7.2m (2023: £3.8m).

Net interest margin increased to 1.90% (2023: 1.79%) helping the business to absorb the increasing costs that the business has incurred and maintaining strong underlying profitability and sufficient capital resources.

The Society's administration expenses ratio remained broadly consistent with the prior year at 1.43% (2023: 1.46%).

Our Strategic Plan

Acknowledging, understanding and, where appropriate, responding to emerging trends is paramount for our continued success. Shifting consumer behaviour, technological advancements and the evolving regulatory landscape makes it imperative for the Society to proactively adapt to remain relevant in the market.

Our strategic focus

After a period of extensive asset and organisational growth, our focus is now shifting to prepare for future transformation.

As we build the necessary capital buffers required to embark on a period of significant investment, it is appropriate for us to balance growth with efficiency.

Our strategy remains one of growth. Our definition of growth has expanded beyond the existing singular definition of growing our balance sheet assets to one that will be achieved through the modernisation of the Society.

1. Ensure we have the financial strength to enable sustainable growth.
2. Advance our technology capability, implementing the replacement of our core operating system and digitising our origination and service capabilities.
3. Invest in our data to create a 'single source of the truth'.
4. Meet the evolving needs of our members.
5. Continue to champion and share the benefits of mutuality.
6. Be an exemplar organisation for our colleagues, members and communities.

Our strategy has matured to one of holistic growth that will be achieved across four key strategic themes under the headline of:

2024-2029 STRATEGY

SUSTAINABLE GROWTH THROUGH MODERNISATION

MEET OUR MEMBERS' NEEDS

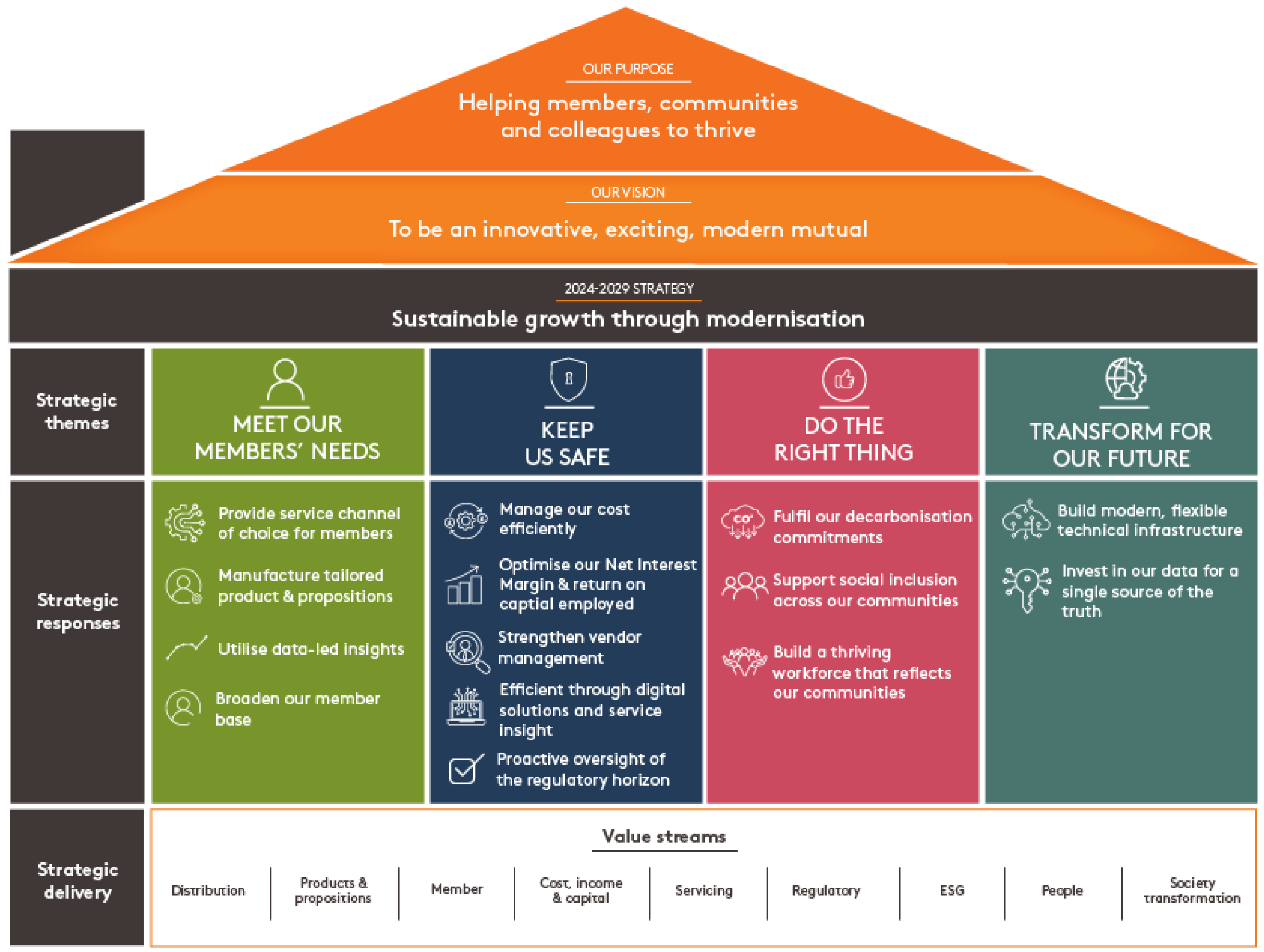
KEEP US SAFE

DO THE RIGHT THING

TRANSFORM FOR OUR FUTURE

This will ultimately improve our resilience, operating efficiency and member choice and enable the delivery of our vision to become an innovating, exciting modern mutual.

The Building Society movement was founded to empower working people to own their own homes and our strategy is encapsulated in our strategic house.



Our Strategic Responses

MEET OUR MEMBERS' NEEDS

PROVIDE SERVICE CHANNEL OF CHOICE FOR MEMBERS

We will retain our pledge to the high street through face-to-face interactions via our retail network in recognition of the value our members place on this channel and our commitment to helping communities thrive. We will, however, evolve the role of branches, ensuring they remain relevant to our members' needs. We will launch and grow our digital channel capability for both savings and mortgages and continue to invest in our Intermediary channels supported by our direct mortgage advice proposal.

We will develop our channel proposition to meet the needs of an increasingly remote membership and will retain and invest in our branch and agency network to meet the needs of our traditional heartland members and continue to attract members who value face to face service and the reassurance of a branch presence.

By maintaining a significant high street presence in our heartland, we will continue to make a major contribution to the provision of banking services in the communities we serve, helping to create vibrant and sustainable communities.

We recognise that we must significantly enhance our direct, digital, self-service offer for both members and brokers to remain relevant and competitive.

We will develop a 'digital first' channel proposition that offers all members speed, ease and convenience of opening and servicing of their products remotely.

We will develop insight to truly understand the relationship with our broker partners to allow us to deep dive into their performance and identify points to deepen our relationships.

MANUFACTURE TAILORED PRODUCTS AND PROPOSITIONS

We will use our new data and insight capabilities to explore new member products and services that utilise our improved digital and technical capabilities, designed for clear target audiences and distributed via multiple channels.

We will explore the development of new products that are designed to help members achieve their financial goals.

UTILISE DATA LED INSIGHTS

Enhancing our data capabilities will improve the quality of decision making and increase efficiency.

We will continue to invest in industry standard data models to develop insight into our existing and future members base, to meet their product and servicing needs.

We will leverage modern technologies including our Cloud Landing Zone and using modern toolsets, we will exploit the power of the data infrastructure to support our need to access and process data.

Data-driven reporting will enable us to better understand our members, our partner organisations and our mortgage and savings books.

BROADEN MEMBER BASE

We will develop initiatives to expand the member base alongside the creation of insight to understand the costs to acquire and serve different member segments and the typical length of relationships / lifetime value generated.

We will seek to broaden our member base to help offset fixed costs and mitigate the risks associated with an aging and geographically concentrated membership.

We will use our enhanced data and analytics capabilities to better understand both the needs, and economic contribution made by different member segments.

Whilst we will continue to provide products and services that meet the needs of all mass market retail demographic segments, we will proactively strive to broaden our propositions to appeal to a more diverse member base.

Our focus will be on developing the products and service propositions that appeal to members that generate incremental economic value through their opportunity to provide efficient retail funding and higher margin lending.

We will measure the effectiveness of these approaches through customer satisfaction metrics such as Net Promoter Score (NPS) along with online feedback sites that facilitate feedback and enable peer comparisons.

The outcome of our strategy will be a more demographically and geographically diverse membership.

Our Strategic Responses

KEEP US SAFE

MANAGE OUR COSTS EFFICIENTLY

We will drive cost effectiveness through the replacement of costly and inefficient processes and ensure value for money in selected spend through a framework embedding sustainable cost efficiency improvements and a heightened culture of cost management. To facilitate our continued growth, we will undertake ongoing cost efficiency reviews.

We will review the structure of our costs, and, through peer group comparison, help identify improvements whilst developing a target cost profile for our post transformation environment.

We will drive a cultural awareness of the importance of spending 'Members' money' wisely.

OPTIMISE OUR NET INTEREST MARGIN AND RETURN ON CAPITAL EMPLOYED

We will adjust the lending mix of our products to optimise ROCE of lending whilst improving the marginal efficiency of our retail funding mix, to enable informed decision making and trade-offs across the balance sheet.

Through our annual planning and financial forecasting process we will set clear objectives for the efficiency of our retail funding and the ROCE of our lending.

We will develop the required tools, skills and capabilities to effectively monitor, forecast and adjust our NIM to ensure that financial KPIs are achieved.

This approach will be complemented by the development of our understanding of the demographic segments within our membership that have the greatest potential to generate the highest economic contributions to the Society as outlined in the Broaden our Membership strategic response.

STRENGTHEN VENDOR MANAGEMENT

We aim to deliver better value through consistent governance by enhancing the robustness of well-defined procedures for vendor selection and ongoing performance management.

We will build and maintain mutually beneficial relationships to ensure we maximise the financial, innovation and collaboration opportunities available through our chosen vendors.

We will continue to deliver the benefits of improved vendor management by assessing our legacy contracts and supplier relationship with the long-term goal of improving value for money through cost effective solutions.

EFFICIENCY VIA STRAIGHT THROUGH PROCESSING DIGITAL SOLUTIONS AND SERVICE INSIGHT.

We will improve service, reducing time and cost by utilising more digital solutions in our servicing solutions. We will systematically measure and monitor service-related metrics to improve the overall quality of service.

We will capitalise on digital capabilities by utilising Straight Through Processing (STP) via workflow automation implemented in multiple areas of the Society including customer onboarding, mortgage loan origination, payment processing and customer communications.

We will maximise the number of seamless processes that have an automated flow of data and transactions through the various stages of a business process without manual intervention.

PROACTIVE OVERSIGHT OF THE REGULATORY HORIZON

We will continue to track and assess emerging regulatory, political, economic and industry developments. They will continue to routinely be reviewed, noting leverage opportunities, across the various 'lines' of the business and, where appropriate, implemented via our change management framework.

DO THE RIGHT THING

FULFIL OUR DECARBONISATION COMMITMENTS & HELP OUR MEMBERS JOURNEY FOR CARBON REDUCTION

We will continue to invest in our social responsibilities associated with decarbonisation and net zero so that our environmental footprint is minimised along with supporting our members and communities to meet their carbon reduction goals.

We will develop a clear greenhouse gas (GHG) management plan that builds trust with members, key stakeholders, and colleagues by implementing a clear management plan to track performance in reduction of GHG emissions.

We will actively explore carbon offsetting opportunities which involves investing in initiatives to remove greenhouse gas emissions elsewhere. This allows us to compensate for the emissions we produce through our own activities, thus enabling us to take immediate action to counterbalance our carbon footprint whilst supporting sustainable projects.

We will create an evidence-based awareness campaign to promote our ESG initiatives to internal and external audiences and will support our members and communities to meet their carbon reduction goals through products and propositions that drive positive environmental outcomes.

We will implement a clear engagement plan to track performance in our reduction of GHG emissions to build trust with our members, key stakeholders and colleagues.

We will improve the energy efficiency of homes by designing a solution to encourage members to improve the energy efficiency of their homes through the utilisation of an enhanced affordability calculator to combat rising energy costs.

SUPPORT SOCIAL INCLUSION ACROSS OUR COMMUNITIES

We will develop an ESG framework that is widely informed and sensitive to the priorities of all stakeholders (colleagues, members, suppliers, government, regulators, etc).

We will collate insight from internal and external sources to build a communication and engagement strategy.

We will bolster our communities through social inclusion schemes that support groups, charities, schools and individuals in affording equity in socially challenging circumstances.

We will achieve this by modernising our approach to financially supporting communities by addressing contemporary challenges as much as traditional needs.

We aim to contribute to the reduction of social and economic inequalities in the communities in which we operate and will do this by fostering an environment that supports equal access to financial education and awareness for all by bridging the financial literacy gap between different socio-economic groups.

We will enhance our volunteering programme to seize the opportunity for virtual volunteering. This will extend to development for colleagues with schemes such as mentoring and trustee opportunities with specialist organisations where appropriate.

Volunteering in these underserved communities will help empower individuals who may have limited access to traditional financial resources. This empowerment has the potential to increase self-sufficiency and financial independence.

BUILD A THRIVING WORKFORCE THAT REFLECTS OUR COMMUNITIES

We will create a culture in which colleagues can thrive, have a strong sense of belonging and contribute to a successful Society.

We will create people strategies, policies and frameworks that align to our Equality, Diversity & Inclusion (EDI) approach and support colleagues through their MBS career. Providing clear, concise and easily understandable policies and frameworks will help to build trust amongst colleagues and contributes to a fair and transparent work environment.

We will define our Employer Value Proposition (EVP) by clearly articulating what we offer as an employer, so we can attract and recruit top talent whose values align with ours.

We will provide colleagues with the skills, knowledge and training they need to thrive. Demonstrating a commitment to our colleagues' career growth will help us to retain top talent and increases their adaptability to change which is crucial in a rapidly evolving business landscape.

We will build a framework that demonstrates our commitment to fostering an inclusive culture; one that fosters a sense of belonging for every colleague, regardless of identity or background. We will do this by promoting a culture that values, encourages, and uses the diverse perspectives, backgrounds, and experiences of colleagues.

We will create a positive and productive workplace that fosters engagement, satisfaction, and motivation. Ensuring that colleagues experience a sense of recognition, fulfilment and purpose in their roles will lead to higher job satisfaction and increase productivity.

DESIGN OUR SOCIETY TO SUPPORT OUR STRATEGY

We will design our operating model that is aligned with and supports the successful delivery of our 'sustainable growth through modernisation' strategy.

We will create an approach to strategic workforce planning to ensure that we have the right workforce composition in terms of structure, purpose, ratio of managers to professional and administrative staff and the right demographic mix.

We will assess and analyse the internal business drivers, goals and external operating environment developments that impact on us. This will facilitate a comprehensive understanding of the current operating environment.

TRANSFORM FOR OUR FUTURE

BUILD MODERN, FLEXIBLE TECHNICAL INFRASTRUCTURE

We will replace our aging core operating and origination systems improving our flexibility, resilience, and speed to market. Introducing modern operating and origination systems will enhance our capability of understanding our members' needs, thereby elevating the overall member experience.

We will improve efficiency and performance by leveraging newer technologies. Replacing our aging legacy systems will allow us to optimise our existing workflow and eliminate redundant steps, thus streamlining our processes and increasing our cost efficiencies.

We will explore opportunities to incorporate RegTech to meet the ever-increasing demands of compliance within the financial services industry and the growing risks of financial crime.

We will continue with our architectural technology principles of cloud utilisation through software as a service (SaaS), outsourcing of software development capabilities and the procurement of front-end solutions that best meet our technical, regulatory, member, operational and cost requirements.

We will maintain oversight of developments in the use of Artificial Intelligence (AI) only utilising capability that is proven to add value to colleagues and members without introducing any risk that sits outside of the Society's appetite to risk.

INVEST IN OUR DATA FOR A SINGLE SOURCE OF THE TRUTH

We will ensure our data is relevant, of good quality, understood and accessible to enable enhanced insight to derive value.

We will take an iterative approach to creating a single source of the truth and an operational warehouse capability.

We will enhance the quality of our data by reviewing existing data quality from our core systems. With modern toolsets the data quality can be judged and improved within the source systems. This not only enhances operational efficiency, but also improves our ability to make informed decisions by reducing the likelihood of errors based on incomplete or incorrect data.

We will create a single customer/broker view to enable us to understand our member base and how they interact with us. This has the potential to serve as a strong precursor for any future core transformation or modernisation; thus, enhancing our member communication and retention.

Opportunities also exist to explore ways to truly understand the relationship with our broker partners to allow us to deep dive into their performance and identify points where we can expand our relationships.

The Future

In keeping with our core principle of financial resilience, we know now is the time to reequip the Society with the systems and capabilities needed to provide the modern and efficient services our members and colleagues expect and deserve.

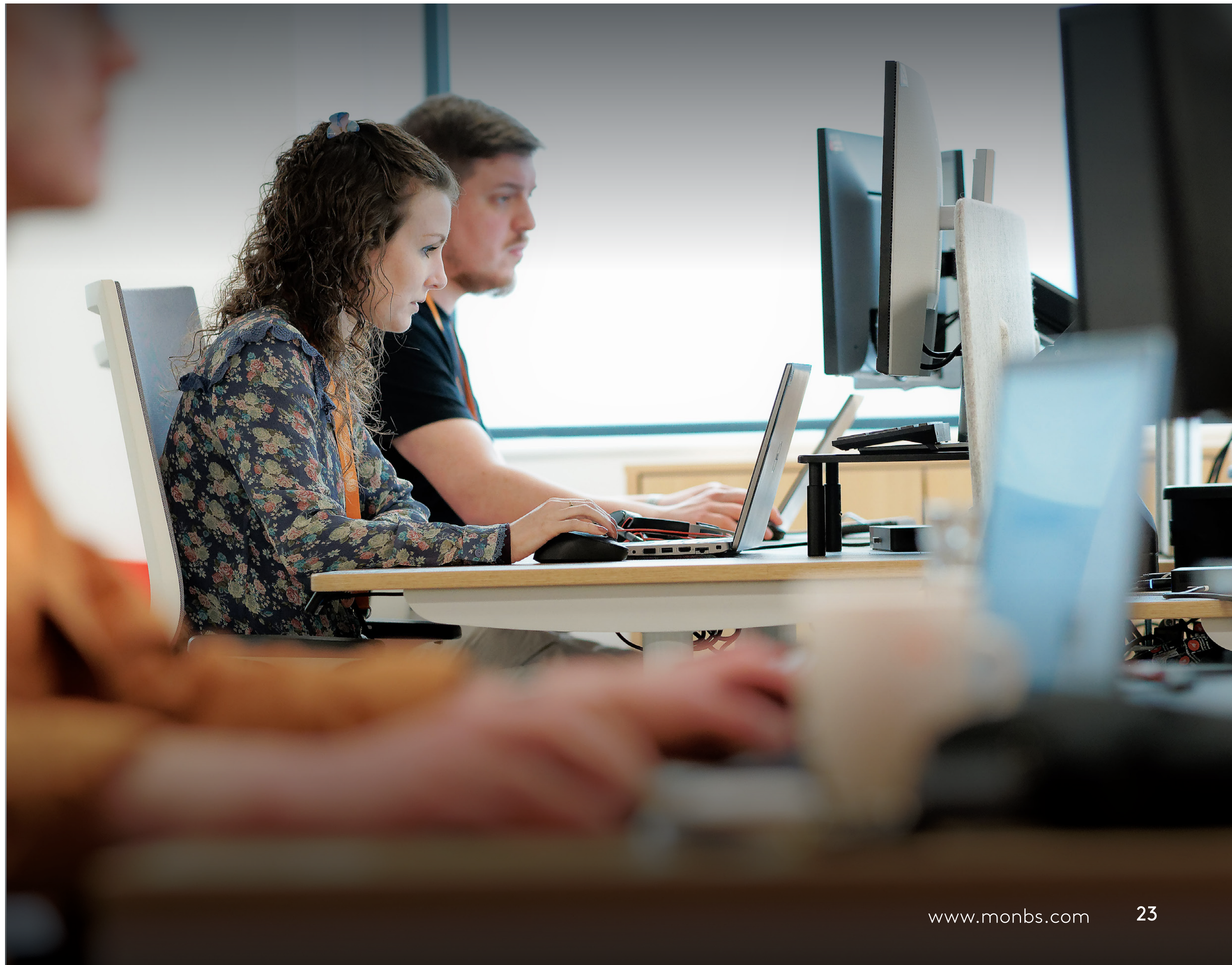
As we embark on a journey of transformation, we do so with a sense of pride in our history but driven by the knowledge that we must continue to modernise. We are, and will continue to be, the guardians of our members' money and will act with the prudence necessary to meet the challenges (known and unknown) that lie ahead.

We are excited by what the next five years will bring as we lay solid foundations for continued success and become a truly modern, member-focused mutual for our members, colleagues and communities for years to come.

William Carroll

Chief Executive Officer

11 July 2024



Directors' Report

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

Committee Key

Audit · Risk · Nominations · Remuneration · Transformation Oversight

Where you see the letter 'C' in a coloured box, this indicates that the individual is the chair of the committee.

Non-Executive Directors

Roger Turner

Chair, Non-Executive Director
Appointed in 2015, Chair since 2022.
(Independent)

C

Background and Career

Roger has some 40 years' experience in the financial services sector, most recently as the CEO of an asset management firm in London and previously as Head of Group Capital and Treasury at Schroders plc. 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.

Skills and Experience

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
Appointed in 2016
(Independent)

C

Background and Career

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 Bank Plc, 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.

Skills and Experience

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
Appointed in 2018
(Independent)

C

Background and Career

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.

Skills and Experience

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. There's so much more to do!

Marian Evans

Non-Executive Director and Senior Independent Director from 2022
Appointed in 2021.
(Independent)

Background and Career

An experienced NED and board advisor Marian was awarded the British Empire Medal in the Kings Honours 2024 for services to Business. A former Director of Thomas Carroll Group and Sales Manager at NFU Mutual and previously a Non-Executive Director at Cirencester Friendly Society, Marian is also an ambassador for Women on Boards UK. Marian owns a successful consultancy business and property partnership.

Skills and Experience

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.

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 members firmly at its core.

Non-Executive Directors

Colin Brereton

Non-Executive Director

Appointed in 2022
(Independent)

C

Background and Career

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 Non-Executive Chair at BnkPro Limited and BnkPro (Europe) Limited, two Electronic Money Institutions; Audit Committee Chair at Royal National Children's Springboard Foundation and Deputy Chair at Floreat Education.

Skills and Experience

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 Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Association of Chartered Certified Accountants. He 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.

James Greenwood

Non-Executive Director

Appointed in 2023
(Independent)

C

Background and Career

James is the Chief Technology and Operations Officer of Bitstamp. He has held numerous executive roles in regulated financial entities across product, customer experience, technology, and operations. Previously, he served as the Chief Product and Marketing Officer at Zand Bank (UAE), where he oversaw the launch offerings of the world's first combined corporate and retail digital bank. Other roles include Chief Technology Officer of Tandem, the UK-based digital challenger bank, Chief Operating Officer of Commercial Bank International, and Digital Platform Director at Barclays.

Skills and Experience

James brings extensive experience in global banking and the fintech sector, where he has both built new digital banks and driven the transition from traditional to digital banking. He has a degree in Computer Science, has authored numerous textbooks on digital technologies, and lectured academically on disruption and transformation.

James believes the combination of the society's ambitious, forward-thinking approach with its community-focused fundamentals are exactly what's needed for all members and colleagues – current and future.

Michael Jones

Non-Executive Director

Appointed in 2024
(Independent)

Background and Career

Mike worked at Principality Building Society for 25 years until June 2023, where he held a number of senior managerial positions, culminating in his appointment to the Board as Chief Risk Officer in 2013. He was also appointed as the Society's Interim CEO during 2019/2020. Mike started his career at Midland Bank and subsequently worked at HSBC, undertaking a wide range of managerial roles in the retail and corporate banking divisions. Mike is a Non-Executive Director of Pobl Housing Group, where he chairs the Audit & Risk Committee. He also served as a member of the UK Finance Mortgage Product and Service Board from 2019 until 2022.

Skills and Experience

Mike has over 40 years' experience in the financial services sector. He holds a degree in Economics, an MBA from Henley Management College, and is an Associate Member of the Chartered Institute of Bankers. He has extensive knowledge of the Building Society sector and UK regulatory environment, together with a deep understanding of risk management, finance and banking.

Mike was very much attracted to working alongside the Monmouthshire Building Society's team, which has such a strong focus on serving local communities. At a time when Banks and so many other businesses are withdrawing from face to face interaction with customers, he believes the Society's commitment to the high street is becoming increasingly important.

Executive Directors

William Carroll

Chief Executive Officer

Background and Career

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 almost 20 years and in that time has been responsible for various departments including Finance, Treasury, Customer Services and Arrears.

Skills and Experience

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, evolve and continue to deliver exceptional services for our members. He is looking forward to leading the business as it seeks to achieve its vision of becoming an innovative, exciting, modern mutual.

Executive Directors

Dawn Gunter

Chief Operating Officer

Background and Career

Joining the Society in 2017, Dawn moved into the role of Chief Operating Officer and was appointed to the Board in February 2018.

Dawn has enjoyed a successful career in senior leadership roles, spanning the banking, insurance and building society sectors with some of the UK's biggest organisations, including, Sainsburys Bank, Principality Building Society and Legal & General.

Skills and Experience

With over 30 years' experience within financial services, Dawn is highly astute and skilled in the formulation of strategy and delivering change. She has a wide breadth of knowledge across all key functional areas of Operations, IT, Business Change, Brand & Communications, HR and Compliance Quality Assurance with successes delivering results through high performing teams and creating customer and colleague centric cultures. In addition to her role at the Society, Dawn acts as Chair for the UK Finance Wales Policy committee, working to influence government policy on behalf of lenders and bringing the sector together for the good of consumers.

Dawn's dedication and passion for the Society's colleagues, members and communities shines through, making a positive impact each day. She is a Trustee for the Society's Charitable Foundation, ensuring worthy causes receive the help and support they need to flourish.

Julian Bill

Chief Risk Officer

Background and Career

Julian joined the Society in September 2021, as Interim Finance Director, and was appointed Chief Risk Officer and Board member on 1 August 2022. Julian is responsible for Risk, Compliance and Governance within the Society.

Before joining the Society, Julian was Interim Group Head of Finance at Wrekin Housing Group. He held various senior roles with the Principality Building Society from 2003 to 2020 including Head of Group Finance, Head of Capital and Liquidity Risk Management, Chief Internal Auditor and most recently Programme Sponsor. Julian was a non-executive director of Pobl Housing Group between 2014 and March 2024, where he chaired the Audit and Risk Committee.

Skills and Experience

Julian is a Fellow of the Institute of Chartered Accountants and started his career in KPMG. He contributes to the Society over 30 years' experience within Financial Services in Risk, Finance and Audit at executive and non-executive level.

Julian enjoys working in Monmouthshire Building Society's close-knit team and helping the Board to safely achieve the Society's ambitions and purpose for the benefit of current and future members, society and colleagues.

Executive

Eve Wilkins

Chief Customer Officer

Background and Career

Eve joined the Society in February 2018 as the Head of Distribution and moved into the role of Chief Customer Officer in 2022 with responsibility for retail, broker, regulated sales, brand and communications, facilities management and product development. Prior to joining the Society Eve spent 17 years with the Principality Building Society in senior management positions through lending operations, regulated sales, sales operations, business change and retail distribution.

Skills and Experience

Eve has extensive experience in the building society sector spending the last 23 years of her career within the sector enjoying numerous leadership roles. Her wide-ranging background in financial services sees her skilled in the key functional areas within her remit delivering performance through inspired and motivated teams.

Eve is proud to work in a sector that is authentically customer focused. Influencing the customer journey and inspiring a customer centric culture is her focus, supporting the Society to deliver on its core purpose of helping members, colleagues and communities to thrive

Steven Phillips

Chief Strategy and Transformation Officer (CSTO)

Background and Career

Steve joined the Society in October 2017 as Head of Operations and moved to his current role in April 2024. As the Chief Strategy and Transformation Officer, Steve led on rewriting the Society's 2024-2029 strategy and is responsible for delivering the Society's transformation programme. He also has functional responsibility for Strategy, IT, Business Change and Business Intelligence.

Prior to his current role, Steve was the Programme Director for the Society's community banking initiative in conjunction with Welsh Government and has undertaken a wide range of leadership roles including retail and commercial banking, operations, change management, transformation programmes, digital and continuous improvement.

Skills and Experience

With a first degree in Financial Services and qualified banker status, Steve has over 30 years of Welsh Financial Services experience and firmly believes in the mutual model and the role that MBS plays in its communities.

Steve is proud to support the Society's purpose, its capable and passionate colleagues, and its vision of sustainability as a modern mutual.

Executive

Iestyn Evans

Interim Chief Finance Officer

Background and Career

Iestyn has over 30 years' experience in the financial services sector. An experienced Board level CFO, Iestyn brings in a wealth of knowledge to the Society gained from working in several high-profile positions such as CFO, Executive Director and other Senior Managerial Functions. Most recently Iestyn has worked for the Monument Bank where he served as the CFO and Executive Director. In the past Iestyn has worked at Amicus, Omni Partners LLP, Cambridge & Counties Bank, Virgin Money, and Lloyds Banking group in a variety of leadership roles

Iestyn currently serves as a Non-Executive Director of Development Bank of Wales.

Skills and Experience

Iestyn is a qualified Chartered Accountant and holds an MBA from Warwick Business School.

Iestyn was very much attracted to working alongside the Monmouthshire Building Society's team, which is a progressive, and purpose led organisation operating primarily in South Wales. Iestyn is from the local area, so the name itself means something special to him.

In Respect of Accounting Records and Internal Controls

The Directors are responsible for ensuring that the Society:

- keeps adequate accounting records in accordance with the Building Societies Act 1986; and
- takes 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.

The Directors have general responsibility for safeguarding the assets of the Society 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 66 to 75, 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 Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable the Directors to ensure that the financial statements comply with the Building Societies Act 1986.

External Auditor

BDO LLP are eligible for re-appointment and have offered themselves for re-election. A resolution to re-appoint BDO LLP will be proposed at the AGM.

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 Society'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 Society's auditor is aware of that information.

Capital and reserves

The Society reported a consolidated profit before tax for the year of £3.4m (2023: £12.0m). Profit after tax transferred to reserves was £2.3m (2023: £9.7m).

The Society's latest Pillar 3 disclosures can be obtained from the Society's website. The Society's Common Equity Tier 1 ratio at 30 April 2024 was 13.5%, (2023: 14.2%).

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

All of the Society'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 Society can be found in the Strategic Report.

Mortgage Arrears

At 30 April 2024 there were 97 mortgage loans (2023: 130) one month or more in arrears, with total amount outstanding of £0.4m and a total balance of £13.5m including 11 mortgage loans (2023: 14) with outstanding payments twelve months or more in arrears, with total amounts outstanding of £0.1m and balances of £1.1m.

Supplier Payment Policy

The Society will discharge suppliers' invoices within agreed terms provided 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 Society.

Future Developments

Details of future developments can be found in the Strategic Report on pages 8 to 23.

KPIs

Details of the Society's KPIs can be found in the highlights on page 4 and Strategic Report on pages 8 to 23.

Principal Risks and Uncertainties

The principal risks and uncertainties to achieving the Society's strategic priorities together with mitigating actions can be found in the Risk Committee Report on pages 56 to 65.

Political Donations and Gifts

The Society has not made any political gifts or donations in the year to 30 April 2024 (2023: £nil).

Charitable Donations

A total of over £6.4k was raised for Shelter Cymru, the Society's chosen charity of the year, which provides help and support to the many people in Wales who are facing the trauma of homelessness. The Society's independent Charitable Foundation continues its aim of support for local communities, awarding £35k (2023: £44k) to 42 great causes during the year.

Financial Instruments

The Society's use of financial instruments is contained in the Society's Accounting Policy Section on page 81.

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 Society; 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 Society 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 macroeconomic environment and associated key have assessed the viability of the Society over a five-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 five-year period of their assessment. The Directors have determined that a five-year period of assessment is an appropriate period over which to provide its viability statement 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 Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), the Society stresses its capital and liquidity plans respectively, under "severe but plausible" stress test scenarios, in line with PRA requirements. As part of governance Directors are relying on the 2023 ICAAP and ILAAP and the Condensed ICAAP 2024 as at 30th November 2023 and are comfortable nothing significant has changed.

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 Society can deal with any erosion in its capital and meet its capital requirements at all times.

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

The war in Ukraine and cost-of-living crisis continue to cause notable disruption to the UK economy and the markets within which the Society operates. However, the Board remains 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 is based on the Bank of England's stress testing scenarios and has found its capital position to be robust enough to withstand those 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 Society. These risks are described in the principal risks and uncertainties section of the Risk Committee Report. The Society's Risk Management Framework and governance structure in place to manage these risks are described in the Risk Committee Report.

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

Directors

The details of the Directors are shown on pages 24 to 30. In accordance with corporate governance best practice, all Directors will offer themselves for re-election. James Greenwood and Michael Jones, having been appointed in the year, will stand for election.

Signed on behalf of the Board

Roger Turner

Chair

11 July 2024

Corporate Governance Report

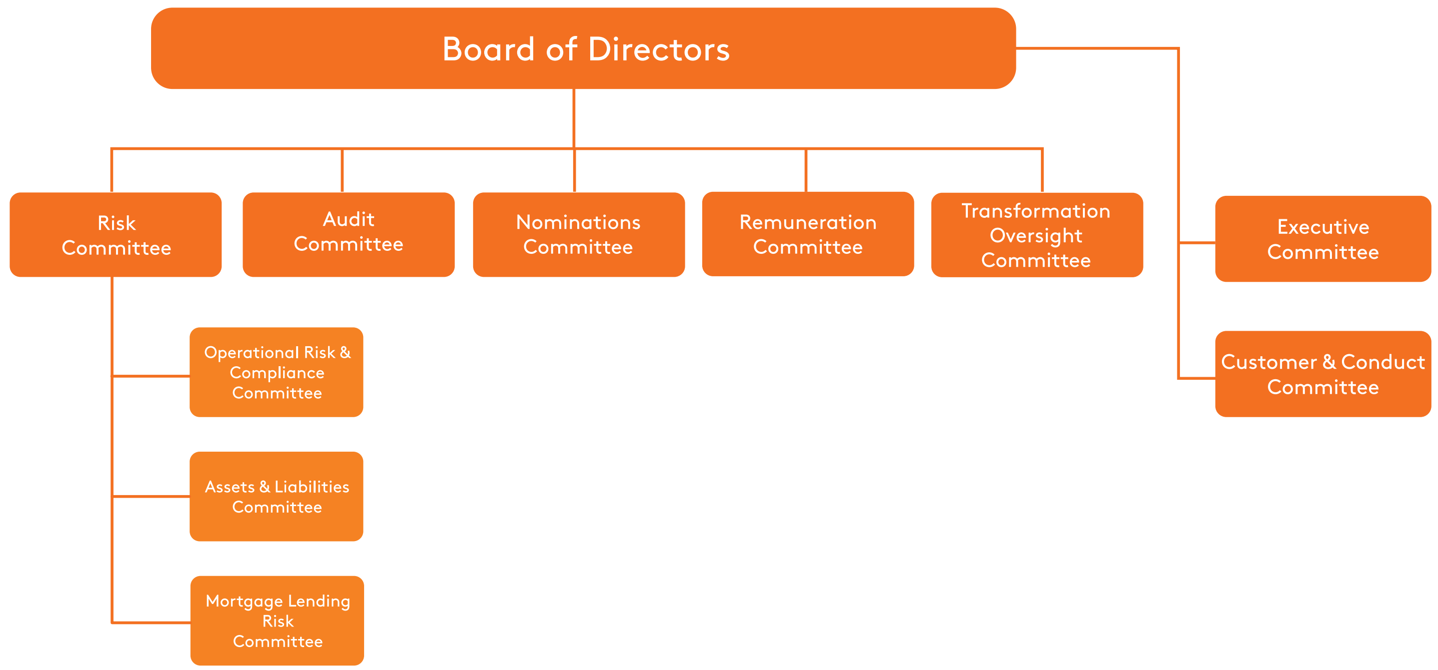
This report explains how the Society's governance framework operates and the role of the Board and its Committees.

The UK Corporate Governance Code seeks to establish the best governance practice across the listed sector. As a mutual organisation, the Society is not required to 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.

A document setting out Corporate Governance in Monmouthshire Building Society can be found on the Society's website. This document along with the following summary report, explains to 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 in the Code on Board's promoting long-term sustainable success supports the Society's mutual ethos.

The Society's Governance framework is detailed below:



Our Governance Framework

The Society's Governance Framework supports good governance practices within the Society.

The Board of Directors

The responsibilities of the Board include setting the purpose, values and strategy, ensuring they are aligned to culture, providing the leadership to put them into effect, monitoring performance and reporting to members on their stewardship.

The Board delegates responsibility for formulating and, after approval, implementing strategy and the management of the day-to-day operation of the Society to the CEO. The Executive Committee supports the CEO in carrying out his role. The CEO reports to the Board at each meeting.

The Executive Committee

The Executive Committee, led by the CEO, is our Executive leadership team and is responsible for:

- Management responsibility for all matters concerning the Society.
- Ensuring the day-to-day operation of the Society's businesses
- Execution of strategy and review of progress against key performance indicators
- Reviewing strategic risks and opportunities
- Monitoring operating and financial performance
- Budgeting and re-forecasting
- Prioritisation and allocation of resources within the business
- Funding, lending and financial performance against strategic plans
- Monitoring competitive forces in each area of operation

Customer and Conduct Committee (CCC)

This is a new committee that came into effect in May 2024.

Risk Management Committees

The risk management committees oversee and manage specific risks within the Society. Each committee has defined responsibilities in its terms of reference. The Chair of each committee reports to the Risk Committee after each meeting.

- Operational Risk and Compliance Committee (ORCC)
- Assets and Liabilities Committee (ALCO)
- Mortgage Lending Risk Committee (MLRC)

The Society also has a number of forums that provide the focus and expertise to support elements of strategic and operational management and delivery.

The Board delegates certain responsibilities to committees which are set out in their terms of reference. Each committee Chair provides an update on their activities at the Board meetings.

Board Committees

Audit Committee

Responsible for monitoring the integrity of financial reporting, the effectiveness of internal controls, and the independence and effectiveness of internal and external audit.

Risk Committee

Responsible for considering and recommending risk appetite and tolerance to the Board, reviewing the management of the Society's principal risks within the Enterprise Risk Management Framework (ERMF), reviewing the Society's risk profile, considering the key risk issues facing the Society and ensuring the independence of the Risk and Compliance functions.

Remuneration Committee

Responsible for determining the remuneration arrangements for the Society's executive directors and senior leadership, setting overarching principles and policy for remuneration and reward within the Society, and the design and operation of performance related incentive plans.

Nomination Committee

Responsible for supporting the Board with its composition, appointments, succession and effectiveness, ensuring both appointments and succession plans are based on merit and objective criteria and promote equality, diversity and inclusion.

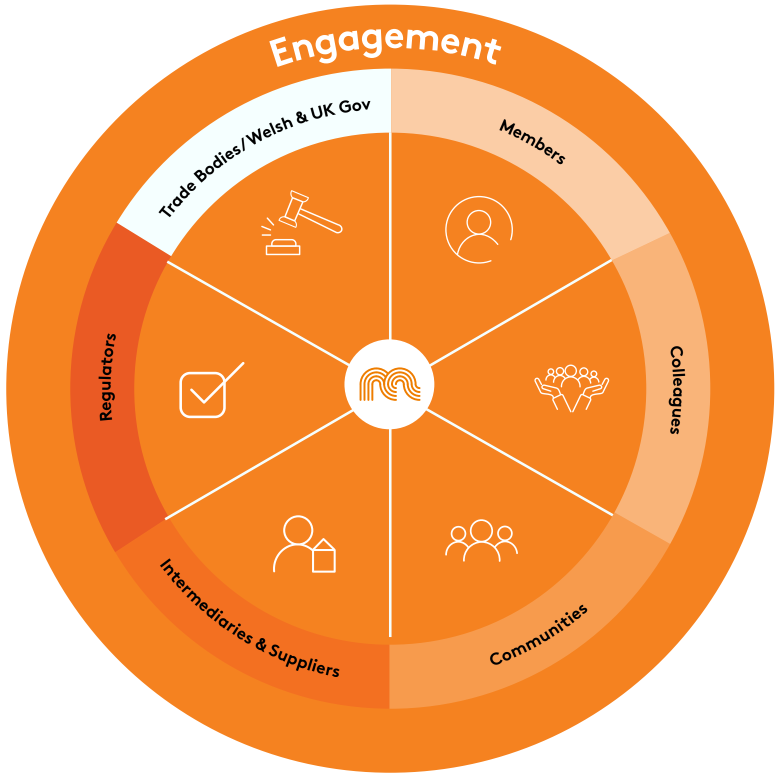
Transformation Oversight Committee

Responsible for the oversight of the transformational elements in the delivery of the strategy in relation to business and technology transformation and change. This is a new committee established in March 2024 and it will report to members on it activities next year.

A full breakdown of the Board committees' responsibilities is set out in their terms of reference, which are available on our website.

Engaging Stakeholders

The Board regularly reviews its engagement with key stakeholders to ensure that their voices continue to be part of Board discussions. The Society is committed to continue developing its stakeholder management to support delivery of its strategy and engagement activities are outlined below.



Members

As a member led Society, engagement with members is paramount and this has continued through the year.

The Society seeks to encourage all eligible members to participate in the AGM which provides members with the opportunity to hold the Board to account through raising questions and voting either for or against any of the resolutions on the agenda at that meeting.

The launch of our 'member matters' panel saw members provide feedback on key themes, the output of which was used to shape the design of the Society's product and service offering. The Society actively seeks feedback through monthly member satisfaction surveys and, in September 2023, launched its relationship with Smart Money People, an online review platform for financial services. We are delighted to report that from nearly 400 reviews placed, our average satisfaction rating achieved 4.87 out of 5.00.

Our committed colleagues have continued to support members to understand their personal finances with the Society Budgeting Buddy.

We're really proud to have worked with Relay UK and SightLife Cardiff through the year helping us to understand how we can improve accessibility to all.

Colleagues

Alongside our members, our colleagues are our most important asset and ongoing enhancement to our engagement saw the development of a Colleague Experience Team to continue to evolve our employee value proposition. Colleague conferences and briefings continue on a regular basis and our colleague voice is represented by our Colleague Forum along with regular surveys, 'meet the CEO' sessions and colleague recognition through our 'going the extra mile' programme and annual celebration.

The launch of our Colleague Wellbeing Programme, run by colleagues, has been well-received and was acknowledged at the CIPD in Wales Awards where the Society were finalists for the Best Wellbeing Initiative. The initiative focussed on three key pillars of wellbeing:

- Emotional Wellbeing, including looking after our mental health.
- Financial Wellbeing, supporting appropriate financial knowledge and skills to manage finances effectively.
- Physical and Social Wellbeing, supporting health and enabling colleagues to get involved in physical and social activities.

Intermediaries and Suppliers

Our broker community is supported through the Society broker team with field and desk based colleagues working to deepen relationships. The year saw us launch wider engagement through increased industry and local event presence as well as the enhancement of the Society webinar programme to engage with brokers all over the UK. We also successfully launched 'Monty' our business development manager chatbot who is available 24/7 to support brokers with lending criteria queries.

Our Procurement function and relationship managers stay in close contact with our key suppliers via regular relationship reviews.

Communities

We are actively engaged with the communities in which we operate. Our branch network provides grassroots sponsorship supporting 43 community and grassroots organisations. Maintaining our high street presence and full branch-based services through our branch and agency network and providing access to local financial support is a key activity.

We provide 2 paid days a year for every colleague to volunteer for a local charitable or community organisation with 1,894 hours donated through the year. We have maintained our support of Shelter Cymru as the Society's charity of the year with colleagues raising £6.4k through the year and invested £35k to local causes via the Society's Charitable Foundation. Local organisations have benefited from the use of meeting space at our flagship branches in Cardiff and Newport offering meeting suites for local groups to get together.

Regulators

We have a transparent and open relationship with our regulators and have regular dialogue with them both directly and through our industry bodies. We monitor regulatory publications both from the regulators and wider stakeholder groups and take action as required.

Trade Bodies / Welsh and UK Government

The Society is actively engaged with trade bodies with experts from across the Society participating in panels, chairing committees and attending industry events.

Open dialogue and communication is an ongoing theme maintaining our relationship with Welsh Government. Robust oversight of UK government initiatives are undertaken and Society impact understood.

Section 172(1) Statement

The Directors have acted in in good faith, to promote the success of the Society for the benefit of its members as a whole. This section forms our Section 172 disclosure, describing how, in doing so, the Directors considered the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006. Although the Society, as a building society, is not required to follow the Act, we seek to apply its requirements where appropriate.

The Board appreciates that the views and interests of the Society's key stakeholders are fundamental in the delivery of the Society's purpose of "helping members, colleagues and communities thrive today and tomorrow". Considering a broad range of stakeholders and their relative interests is therefore an important part of the way in which the Board makes decisions, and the members, colleagues and communities are key to ensuring the long term sustainability of the Society. However, it is recognised that in considering a diverse range of interests it will not always be possible to deliver every stakeholder's preferred outcome. To support decision making, the Board analyses a broad range of financial and non-financial measures across stakeholder groups.

Marian Evans is the Senior Independent Director and will assist the Board with member and stakeholder matters. Marian provides a sounding Board for the Chair and serves as an intermediary for the other Directors and members and appraises the Chair's performance. Marian is the designated non-executive director for Board engagement with the workforce. The Senior Independent Director's role includes:

- understanding the concerns of the workforce and other stakeholders;
- articulating those views and concerns in Board meetings;
- ensuring the Board, and particularly the executive Directors, take appropriate steps to evaluate the impact of proposals and developments on the workforce and consider what steps should be taken to mitigate any adverse impact; and
- providing feedback to the workforce on Board plans.

Engagement in Action

Key strategic decisions and actions taken by the Society during the year impacting our key stakeholders are detailed in the Chair's report on pages 6 to 7 and the Strategic Report on pages 8 to 23 and included:

- Preparation of a new Society strategy for implementation from 1 May 2024, focussing on sustainable growth through modernisation.
- Formation of a new Transformation Oversight Committee to provide a focus on the transformational elements of the Society's new strategy, ensuring that optimal outcomes are achieved for all stakeholders of the Society.
- Continued action taken to balance the interests of members resulting from the high inflationary environment and consequential interest rate rises, supporting our colleagues, members and communities through challenging times.
- Supporting the communities in which we operate through maintaining the Society's network of its branches and agencies, providing financial support to community initiatives and through colleague volunteering.

Operational Resilience

The Board has evaluated the operational resilience of the Society though business continuity planning, enhancements to its information technology and infrastructure, mitigation of vulnerabilities identified across its important business services and increased governance through the Operational Resilience Forum. 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 received regular updates on the ongoing enhancement of the Society's IT infrastructure, information Security and process automation. The Board reviews the annual Operational Resilience Self-Assessment which provides a robust assessment of the resilience of the Society's important business services 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 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.

Board and Committee Attendance and Membership during the year

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.

The Board has a formal schedule of matters which are reserved for its consideration. Proceedings of all Committees are formally recorded and the key points arising from each meeting are subsequently considered by the Society's Board.

At every Board meeting an agenda is agreed in advance by the Chair, CEO and Company Secretary. This includes key focus items and a number of standing items. These standing items include updates from the activities of the Board committees and reports from the Executive on matters such as:

- progress against the delivery of strategy and business performance
- operational and business resilience matters
- financial performance and forecasts
- changes to the Society's risk profile
- members and conduct matters

The standing items also include regulatory developments, emerging risks and innovation and administrative matters, including the minutes and actions from previous meetings.

Throughout the year the Board has a forward agenda for the review and approval of various Policies and Frameworks, including the risk management framework, capital and liquidity adequacy, lending policy, recovery and resolution planning, whistleblowing and fighting financial crime.

The Board will also regularly consider culture and the results of the colleague survey, Equality, Diversity and Inclusion (EDI), colleague wellbeing and People Strategy, stakeholder engagement and the results of the Board effectiveness review.

During the financial year, the Board received regular updates on Cloud migration, the new mobile application, change initiatives, business resilience, the sale of the head office building, stakeholder engagement, the closure of the defined benefit pension scheme and health and safety.

As a result of increased regulatory activity during the financial year the Board received regular updates on regulatory changes, including the FCA's new Consumer Duty principle, the Small Domestic Deposit Takers Regime and Basel 3.1.

Attendance at Board and Committee meetings for the year to 30 April 2024 has been recorded as set out in the table on page 39.

Board Member	Board	Risk Committee	Audit Committee	Remuneration Committee	Nomination Committee	Transformation Oversight Committee
Number of Meetings held during the financial year	**7**	**9**	**5**	**6**	**6**	**1**
Trevor Barratt (Chair of Risk Committee)	7/7	8/9	5/5			
Julian Bill	7/7					
Colin Brereton (Chair of Audit Committee)	7/7	9/9	5/5			
William Carroll	7/7				6/6	
Marian Evans (SID)	7/7	6/6	2/2	6/6	6/6	
James Greenwood (Chair of the Transformation Oversight Committee) (appointed 22 November 2023)	3/3		2/2			1/1
Dawn Gunter	7/7					
Michael Jones (appointed 20 March 2024)	1/1	1/1				
Tom Leach (resigned 31 March 2024)	6/6					
Liz Mckenzie (Chair of Remuneration Committee)	7/7	8/8		6/6	6/6	1/1
Tony Morgan (Retired August 2023)	2/2		2/2	3/3		
Roger Turner (Chair and Chair of Nominations Committee)	7/7		1/1	6/6	6/6	1/1

Evaluation of the Board and its effectiveness

The previous external Board effectiveness review was conducted by PwC in the year ended 30 April 2021 and concluded that the Board and its sub-committees were operating effectively. The next external review will be undertaken in the second half of 2024. Internally facilitated Board Effectiveness Reviews take place in the intervening years.

The Board believes the Society has an appropriate and effective board structure and corporate governance framework in place, further improved by changes made during the year. At the start of 2024 a number of enhancements were made to the Society's governance structure. This included two new committees, the Transformation Oversight Committee and the Customer and Conduct Committee. During the year all committee terms of reference were reviewed and updated, along with their responsibilities and delegations, to enhance their effectiveness. The sequencing of meetings was revised and a new portal for ensuring clear information flows to the Board was introduced.

As a result of these changes and the need to embed them within the Society's governance process, it was agreed that an external Board effectiveness review would be deferred until later in 2024.

In 2024, annual appraisals for each Director took place which also included a review of director's conflicts and time commitments. No significant appointments were entered into by any Directors during the course of the year and it was concluded that each Director continues to make effective and valuable contributions to the Board and to demonstrate commitment to the role.

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 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 apprised 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

Composition

The Committee is comprised of four independent Non-Executive Directors and is attended by the Executive Directors, Interim Chief Financial Officer, Chief Compliance Officer, Enterprise Risk Manager, and other members of management as required. Attendance is set out in the table on page 39.

	Position
Colin Brereton	Chair
Trevor Barratt	Member
Marian Evans	Member
James Greenwood	Member

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, and, 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 five 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.

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

Key areas of focus	
Financial Reporting	• Monitoring the integrity of the Society's financial statements and reviewing, challenging and approving critical accounting policies, judgements, and estimates presented by management. • 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, is fair, balanced, and understandable and provides 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 management and external auditors. 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 estimation, requiring management to make assumptions in respect of default rates, likely asset recoveries, and other factors.

The Society makes provision against loans which have suffered impairment at the balance sheet date but do not yet have visible indicators of distress, such as arrears. This involves making assumptions about default rates, emergence periods, and 'loss given default' rates.

The Committee considered and challenged the impairment methodology applied by management, including the results of statistical loan loss models to support the impairment provisions. The Committee is satisfied that the proposed impairment methodology is appropriate after considering any potential impact from factors such as cost-of-living crisis and economic forecasts during which repossessed properties are sold

The impairment ratio for the Society as at 30 April 2024 was 0.07% (2023: 0.12%) and the loan loss impairment provision recognised by the Society as at 30 April 2024 was £1.0m (2023: £1.6m).

Effective Interest Rate

Interest income under FRS102 is required to be recognised using the effective interest rate method. The effective interest method is a means of calculating the amortised cost of a financial instrument and of allocating the cash flows associated with the instrument over its expected life.

To implement effective interest rate accounting, management is required to make estimates, principally in respect of the expected life of a mortgage and the propensity for that mortgage to prepay within the product term. The Committee challenged the estimates made by management concerning the expected life estimates of current mortgage products and the propensity to prepay.

The Committee was satisfied that the estimates were reflective of the Society's current mortgage book behaviour.

Retirement Benefit Obligations

The Society makes significant estimates in assessing its obligations for retirement benefits, principally in calculating the present value of the liability. The primary estimates are in respect of mortality, price inflation, and discount rates.

The Committee considered the assumptions used by management in relation to benchmark information received from the Society's actuaries. The Committee concluded that assumptions used to calculate the pension liability are reasonable and that the Society's advisers are competent to perform the actuarial calculations concerned. During the year the Society reached agreement with the Pension Scheme Trustees on the basis on which historical benefits are calculated. This has removed significant level of uncertainty from the calculation of retirement benefit obligations.

The pension scheme net liability recorded at 30 April 2024 was £2.6m (2023: £3.5m).

Impairment of Fixed Assets

Management considered whether any elements of the Society's portfolio of Tangible Fixed Assets were impaired in light of market movements in existing locations and the refurbishment and move into new office space in Newport and Cardiff.

This involved judgements about the continued use of assets in the business activities of the Society, and potential future residual values, in order to determine value in use and recoverable amounts.

The Committee is satisfied that the write down of £1.0m recognised in relation to this impairment assessment is appropriate.

Derivatives and Hedge Accounting

The Society adopts hedge accounting in accordance with FRS102, utilising the dispensation to apply the recognition and measurement provisions of IAS39 Financial Instruments: Recognition and Measurement.

The Society uses interest rate swaps to mitigate the interest rate risk inherent in its fixed rate mortgage and savings portfolios. Applying hedge accounting to those swaps relating to the Society's mortgage and fixed term savings portfolios reduces the Income Statement volatility which would otherwise arise as a result of the difference in the accounting measurement basis of mortgage and derivative financial instruments.

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

On 30 April 2024 the Society held a total of £33.5m of derivative assets (2023: £47.2m) and £4.9m of derivative liabilities (2023: £4.2m). The fair value adjustment to the mortgage portfolio as a result of hedge accounting totalled £20.3m credit (2023: £30.9m credit).

Investment in Mutual Vision (MV)

The Society holds a shareholding of c.34% in Mutual Vision, which provides certain 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 MV should be included as an investment at cost, or equity accounted as an associate of the Society.

MV's Board includes three independent Non-Executive Directors, and no Director or employee of the Society holds a position on the MV Board. The Society is entitled to attend a shareholder forum, in which shareholding members are entitled to one vote. The forum reports to the wholly independent MV Board, which makes any ultimate decisions. For major decisions, such as structural changes, the shareholder agreement states that a shareholder majority of 75% is required. Whilst the Society's 34% shareholding gives it the ability to veto major decisions, the Society has not exercised, and cannot envisage a scenario where it would have to exercise, this ability. MV is a common platform used by a number of building societies. The intention of the holding is to ensure the development of the system is beneficial to all shareholders and to ensure that the best outcomes for the end users are achieved. It is not to hold or exercise significant influence in key decision making. As such, despite its nominal shareholding, the Society does not consider that it has significant influence over MV.

The Committee has considered the appropriateness of continuing to account for the shareholding in MV as an investment at cost, rather than as an equity share of an associated company. The Committee believes it is preferable to reflect the shareholding in MV at cost in the Society's balance sheet on the basis of substance.

Accounting Policies

The Committee examined the Society's accounting policies to ensure they are appropriate and applied consistently. It also confirmed that the policies are in line with applicable Accounting Standards. The Committee considered whether the 2024 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 2024 Annual Report meets this requirement, and, in particular, that appropriate disclosure has been included for both positive and negative developments in the year. In July 2024, the Committee recommended the approval of the final 2024 Annual Report and Accounts to the Board.

Internal Audit

Internal Audit was outsourced to PwC during the financial year. During 2023/24 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 30 April 2024, Internal Audit carried out a significant number of audits of varying size and complexity. The findings from each individual review were presented to the Audit Committee including management responses. The Audit Committee considered 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 monitored 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:

- Internal Capital Adequacy Assessment Process (ICAAP).
- Cloud Migration Programme
- Implementation of Consumer Duty
- Review of Responsible Lending
- Mobile Application Review

As PwC have served over nine years with the Society, the Audit Committee agreed that new internal auditors should be appointed for the new financial year. A formal tender process took place and EY were appointed internal auditors of the Society from 1 May 2024. All internal audit activities with PwC were completed by 30 April 2024.

Internal control and risk management

Details of the risk management systems in place are provided within the Risk Committee Report on pages 56 to 65. The information received and considered by the Committee provided reasonable assurance that during the year ended 30 April 2024 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, BDO, was appointed in 2020 following a competitive tender.

The Society has a policy for the use of external auditors for non-audit work. The Society will not consider the appointment of the external auditor for the provision of services that might impair audit independence. No non-audit services have been provided during the year by BDO.

Looking ahead

The Committee will continue to monitor key areas of estimation and 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. The Audit Committee will ensure that the Society's Annual Report and Accounts satisfy evolving requirements and consider best practice in this important area.

Colin Brereton

Audit Committee Chair

11 July 2024

Nominations Committee

Membership of Committee

The Committee is comprised of three independent Non-Executive Directors and the Chief Executive Officer. The Committee is attended by the Chief Operating Officer, Head of People and other members of management as required. The Chair of the Board does not Chair the Committee when dealing with the appointment of their successor. Attendance is set out in the attendance table on page 39.

	Position
Roger Turner	Chair
William Carroll	Member
Marian Evans	Member
Liz McKenzie	Member

Committee role and key responsibilities

Key responsibilities of the Committee are as follows:

- to review and make recommendations on matters relating to the structure, size, composition and ways of working of the Board and its Committees to ensure the long-term success of the Society.
- Leading the Board appointment process and ensuring plans are in place to ensure orderly succession to the Board, and that these are based on merit and objective criteria. Planning and succession consider different time horizons which include:
    - Contingency planning for sudden and unforeseen departures;
    - Medium-term planning for the orderly replacement of current board members and senior executives, such as on retirement; and
    - Long-term planning to ensure the skills are present on the board for the delivery of strategy and the long term success of the Society.
- Ensuring that the Board has the right balance of skills, experience and diversity of background and thought to be able to provide informed and constructive challenge to management while acting fairly in the interests of our stakeholders.

Committee activities during the year

The Committee considered the following key matters during the year:

- as a result of upcoming scheduled retirements from the Board, the Committee focused on finding suitable Non-Executive Directors as successors.
- led the process to select Iestyn Evans as the Interim Chief Finance Officer;
- reviewed the optimal size and composition of the Board and its committees to ensure continued effectiveness;
- reviewed the skills and knowledge on the Board, identifying any priority areas for training or potential skills gaps needed to support the delivery of strategy;
- reviewed the independence and length of tenure of our Non-Executive Directors, all of which it considers to be independent;
- reviewed the significant time commitments of Non-Executive Directors and Executive Directors, and agreed they were able to discharge their responsibilities to the Society effectively.
- Following a review of individual director effectiveness, determined that all directors can and do contribute to the Society's long-term sustainable success and determined that all directors should stand for election or re-election at the AGM;
- reviewed the Senior Managers and Certification Regime Responsibilities map;
- reviewed and considered the training needs of the Board; and
- reviewed 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.

Key areas of focus

Changes to the Board and Committees

The Committee oversaw a series of changes to Board and Board Committee composition during the year. We continued to strengthen the Board's composition with the addition of two Non-Executive Directors.

In the light of the growing digital transformation in financial services, and the need for the Society to keep pace to offer members the best customer experience and keep them and the Society safe, the Committee agreed a Non-Executive Director with recent and relevant technology and transformation skills was needed to support robust Board oversight of technology and transformation at the Society. James Greenwood was the selected candidate and he has brought with him extensive experience in global banking and the fintech sector. When recruiting James, the Society appointed Nurole, an independent external search firm, to support this process. Nurole has no other connection with the Society.

In anticipation of Trevor Barratt's scheduled departure from the Board and as Chair of the Risk Committee, the Committee focused on finding a suitable successor. Mike Jones was identified as a candidate who would bring significant recent and relevant skills in this area, following his retirement as Chief Risk Officer at Principality Building Society. Miles Advisory, an independent search and advisory firm, were appointed to conduct a thorough, robust and independent assessment of Mike and his suitability for the role. Miles Advisory have no other connection to the Society. The Committee recommended to the Board that Mike be appointed as a Non-Executive Director and take over as Chair of the Risk Committee later in the year.

The Committee led the process to appoint Iestyn Evans as the Interim Chief Finance Officer, following Tom Leach's departure. Iestyn has significant experience within the Financial Services industry in retail banking, most recently at Monument Bank, a technology focused, start-up bank. The Society worked with the interim specialists at Odgers Berndston to review candidate pools and draw up a shortlist before competency assessments and interviews were held. Odgers Berndston have no other connection with the Society other than for the provision of recruitment support services.

Various changes were made to the membership of the committees to support oversight, these are set out in the meeting attendance table on page 39. The Board considers that the changes have enhanced the effectiveness of the Board and relevant Committees, providing valuable input and support to their work as well as bringing new and diverse perspectives to discussions.

Tony Morgan retired from the Board as a Non-Executive Director on the conclusion of the Annual General Meeting in August 2023. Tom Leach stepped down from the Board as Chief Finance Officer in March 2024.

Board Appointments and Succession Planning

The Committee regularly reviews the selection and appointment process and agreed that the whole Board should meet any potential candidates. The Society uses open advertising and/or an external search consultancy when recruiting new Board members. When using a consultancy a list of individuals with a diverse range of backgrounds and characteristics is proposed. The Committee recognises the benefits of diversity of background and opinion, and identifying candidates with the right experience and capabilities is at the forefront of any search. The shortlisted candidates are interviewed by the Committee members and they meet with the other Board directors. A recommendation is made to the Board on the chosen candidate and appointment terms agreed. A number of the Board roles require approval from the Financial Conduct

Authority as part of the Senior Managers and Certification Regime. All directors complete a comprehensive and tailored induction programme prior to their appointment. Directors are provided with the opportunity to take part in ongoing training and development, but can also request specific training, as required.

Due to Roger Turner's scheduled departure from the Board in 2025, the Committee is seeking an additional Non-Executive Director with finance and banking experience. Open advertising has been used, and we have piloted posting to Woman on Boards to increase our reach and diversity at this level. A strong response has been received through our direct recruitment channels and following a series of interviews, we have offered a Non-Executive Director role to the successful candidate who is currently going through the induction process.

In June 2024 the Committee was leading the process for Chair succession to identify a new Chair of the Board. The Chair of the Board does not chair the Committee when dealing with the appointment of his successor.

Equality, Diversity and Inclusion

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

The Committee seeks to ensure that the Board comprises a diverse membership, made up of individuals with different skills, knowledge, experience and values to ensure effective decision making and robust challenge. Different perspectives and diversity of thought are essential to reduce the risk of group think 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 Society 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.

As at 24th April 2024

The Board		Senior Managers		All Colleagues	
30%	70%	44%	56%	64%	36%

colleagues Grade E and above

Setting targets for gender diversity has been a subject of debate by the Committee. It was agreed that the Society is 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. The Committee has 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 tailored inductions for new Directors to address any gaps in skills or experience. It also identifies specific areas for ongoing training and development of the Board. Specific training needs are addressed individually.

New Directors have a one-to-one session with the chairs of all committees and regular sessions with the Society Chair, along with a number of other key individuals in the business to develop a good understanding of the Society.

The Board enhances its knowledge of the business and also receives updates from subject matter experts around the business such as Compliance, Risk, IT, Financial Crime and HR. In December 2023, the Committee reviewed the skills and experience on the Board and there were no knowledge or skills gaps of concern. The Committee identified areas where skills and knowledge could be enhanced to better support the delivery of strategy. These included:

- Technology/IT.
- Sustainable building principles and practices.
- Climate change, renewables and Climate Change Risk.
- Community affiliation/access - regional knowledge, community initiatives.
- Digital Media for promoting and selling products or services using websites, social media and other digital mechanisms.

The Committee also noted that with the planned departure of Trevor Barrat and Roger Turner Treasury and liquidity management, and credit risk knowledge could be bolstered. It was also agreed that there should be a Non-Executive Director with an accounting background to provide contingency cover for the Chair of the Audit Committee. These areas have been considered with the appointment of James and Mike and will be a focus during ongoing recruitment.

To address areas where the Committee feels more knowledge is required and feedback from directors during the year, training and awareness sessions have been facilitated by external organisations and internal subject matter experts through Board briefings, deep dives and business area reporting.

Some Board meetings have been split over two half-days to provide further opportunity to include colleagues and teams through presentations and additional time for training and knowledge updates.

Sessions in the last year included marketing, third party management and modern slavery, a demonstration of the mobile application and the fighting financial crime software. A representative from a building society in New Zealand came to talk about the key challenges and opportunities affecting the sector in New Zealand. The CEO of the Building Societies Association attended a meeting to share learnings from the sector. A number of Board members also attended a community event hosted by branch colleagues for local charities.

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 success. In accordance with the Code, all Directors 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:

- Lead the process to appoint the next Chair of the Board and Nominations Committee;
- Recruit an additional Non-Executive Director in line with the Society's succession plans;
- Conduct a search for a permanent Chief Financial Officer;
- Continue to consider the skills needed on the Board;
- Keep developments around equality, diversity and inclusion under review;
- Oversee changes to Committee membership and keep the composition, skills and experience under review.

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.

The Committee meets a minimum of four times a year. Attendance is set out in the table on page 39.

	Position
Liz McKenzie	Chair
Marian Evans	Member
Roger Turner	Member

Committee role and key responsibilities

The Committee's primary responsibility is to determine the general remuneration policy of the Society and specifically the remuneration of the Board Chair and 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 taking into consideration any Senior Management Function (SMF) accountabilities 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. The committee Chair is also a member of the Risk Committee, ensuring 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. The Society's Remuneration Policy aims to align executive remuneration with the delivery of the Board's strategy of achieving long-term sustainable 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 to focus upon paying colleagues the market rate for their roles, for the third consecutive year, all roles within the Society have been benchmarked to ensure colleagues 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 an 8% increase in July 2023.

Incentive Scheme

The bonus scheme is discretionary and conditional upon Society performance. Colleagues can earn up to 10% of basic 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
Member Satisfaction.
Member holding multiple products.
Increasing the membership base.

Colleague & Community
Colleague Development.
Provision of Apprenticeship opportunities.
Community Volunteer Hours.

Environmental
Products supporting green initiatives.
Energy Efficient Homes.
Carbon Emissions.

Financial
Cost Efficiency.
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, in appropriate circumstances. The Society performance metrics for 2023 were not fully achieved, resulting in the Remuneration Committee decision to pay a limited amount in bonus payments to colleagues.

The Committee proposes to continue with a bonus scheme for the 2024/25 financial year focused on Society performance and transformational change.

Total Reward Approach

The Committee recognises that rewarding Society colleagues goes beyond basic pay, the total reward approach adopted by the Society has five core elements that support us in attracting, managing and retaining talent. Total reward is reviewed regularly, with engagement from the Society's Colleague Forum being a key mechanism to collect feedback from our colleagues that is considered when proposing enhancements to the overall benefit package.

The five core elements set out below continue to be viewed by the committee as the key elements of total reward.

- Pay and Bonus – The Society pays colleagues fairly and competitively for their roles according to their knowledge, skills and experience. The Society is consistent and transparent in applying its reward policy. The Society offers a discretionary bonus scheme that is available to all colleagues. Bonus is based on performance against individual objectives, behavioural role modelling and overall Society performance.
- Health and Wellbeing – The Society creates a working environment where colleagues can be productive, comfortable, happy, and healthy inside and outside of work. Through Society health and wellbeing champions it ensures the support offered meets colleagues needs.
- Benefits – The Society offers its colleagues a suite of competitive benefits to appeal to colleagues across their life and career stages. The choice of benefits is regularly reviewed to ensure they are relevant and that they meet the diverse needs of current and potential new colleagues.
- Colleague Development – The Society offers 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 – The Society thanks, recognises and celebrates colleagues' contributions which align with Society values, culture and strategic aims.

Gender Pay Gap and CEO Pay Ratios

During the year, the Committee considered the Society's gender pay ratios and CEO pay ratio and in response committed to future diversity and inclusion actions. Consideration of future diversity went beyond gender it includes ethnicity, disability, inspiring young people and overall attraction and retention of a diverse workforce that is representative of the communities the Society serves.

The Society meets the minimum requirement, of over 250 employees, that requires a disclosure of its Gender Pay Gap and CEO pay ration Position via the government portal https://gender-pay-gap.service.gov.uk/.

CEO pay ratio

The CEO pay ratio provides a snapshot of the overall pay gap that exists between the CEO (typically the highest paid person within the organisation) and the average employee in the same organisation and is calculated using the single total figure of remuneration which includes total salary, variable pay, pension, and taxable benefits.

The Society has elected to publish its CEO pay ratios using the Government's preferred methodology (Option A) which is based on actual full time equivalent pay and benefit values for all employees for the financial year. It is calculated by identifying the median total remuneration as well as the total remuneration at the 25th percentile and 75th percentile points.

For 5 April 2024, these were as set out in the table below.

Year	25th percentile page ratio	Median pay ratio	75th percentile page ratio
April 2024	11:1	7:1	5:1
April 2023	11:1	8:1	5:1

The CEO pay ratio at the Society shows that the CEO's pay is 7 times that of the median colleague pay (this means that when all colleagues' pay is listed from highest to lowest, the median is the middle value in that list).

In 2021 the Society moved to a Market rate pay approach, which has been applied consistently across all roles within the Society. The Remuneration Committee is therefore content that the CEO pay ratio is consistent with the Society's wider policies on pay, reward, and progression.

Looking ahead

The Committee will have a continued focus on providing a total reward approach for Society colleagues that attracts and retains talented people. The Society's Colleague Forum will continue to be engaged with 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 Society remuneration policies and practices and further development of its 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 2023/24 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

2024	Fees & salary	Performance related incentive scheme	Pension contribution	Taxable benefits	2024 Total	2023 Total
Non-Executive Directors:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
R D Turner	61	-	-	12	73	58
T Barratt	42	-	-	6	48	43
C I Brereton	42	-	-	7	49	42
M Evans	37	-	-	2	39	36
L McKenzie	42	-	-	1	43	41
A D Morgan (retired Aug 2023)	13	-	-	-	13	40
J Greenwood (appointed Nov 2023)	25	-	-	-	25	-
M Jones (appointed Mar 2024)	9	-	-	-	9	-
Executive Directors:						
W J Carroll	234	2	31	13	280	305
D M Gunter	156	2	47	12	217	241
T Leach (resigned Mar 24)	143	-	19	7	169	165
J Bill	144	3	20	12	179	151

2023	Fees & salary	Performance related incentive scheme	Pension contribution	Taxable benefits	2023 Total	2022 Total
Non-Executive Directors:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
R D Turner	51	-	-	7	58	37
T Barratt	40	-	-	3	43	40
C I Brereton	37	-	-	5	42	10
M Evans	34	-	-	2	36	31
L McKenzie	40	-	-	1	41	35
A D Morgan	40	-	-	-	40	39
Executive Directors:						
W J Carroll	225	38	30	12	305	275
D M Gunter	163	30	36	12	241	212
T Leach)	117	24	14	10	165	-
J Bill	106	23	14	8	151	-

Only the table is audited in the Remuneration Report.

Loans to Directors

At 30 April 2024, one Director (2023: one Director) or persons connected with Directors had mortgage loans granted in the ordinary course of business totalling £491k (2023: £507k). 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.

Director's 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.

Director's Incentive Scheme

For the year to 30 April 2024, 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 Chair's absence. 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

11 July 2024

Risk Committee 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 the Board's 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 its members and customers. The Board's risk appetite is reviewed at least annually to ensure it continues to align with the Society's operating environment, strategy and risk management framework.

The Board is responsible for establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of 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

The Society's risk culture guides decision making and underpins how colleagues approach their work. 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.

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 and 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.

The first line of defence:

- retains overall accountability and ownership of risks; and
- 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:

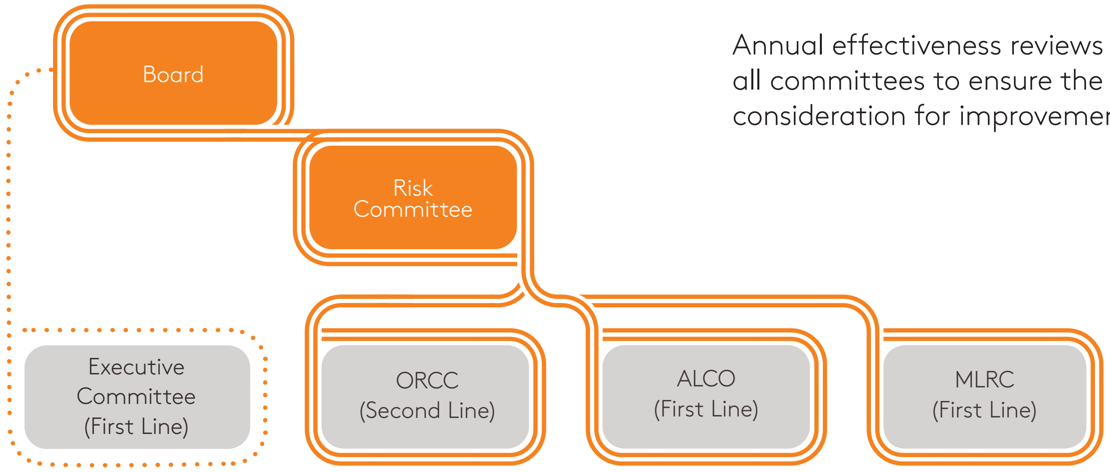
- is the Society's internal audit team; and
- provides independent assurance over the design, appropriateness and effective operation of the systems of internal control implemented by the first two lines of defence throughout the business.

Risk Governance Structure

The Board is ultimately responsible for all aspects of the Society's activities in pursuit of its strategic objectives. The Board retains overall accountability and ownership of the ERMF and delegates 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. These three committees are the Asset and Liability Committee (ALCO), Mortgage Lending Risk Committee (MLRC) and Operational Risk and Compliance Committee (ORCC). 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 in managing 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.



Annual effectiveness reviews are undertaken on all committees to ensure the ongoing review and consideration for improvement can be made.

Risk Committee

Composition

The Committee is comprised of four independent Non-Executive Directors and is attended by the Executive Directors, Chief Compliance Officer, Enterprise Risk Manager and other members of management as required. Attendance is set out in the attendance table on page 39.

	Position
Trevor Barratt	Chair
Colin Brereton	Member
Mike Jones	Member
Liz McKenzie	Member

Key Responsibilities

The Risk Committee must:

- Advise the board on the Society's overall risk appetite, tolerance and strategy and the 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 risks materialising, and the management and mitigation of those 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 risk management structure is adequately resourced and effective.
- 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.
- Monitoring of the Society's capital and liquidity position, including the approach to stress testing and recovery planning.
- Oversight of the Society's information technology and cyber risks.
- Oversight of the Society's financial crime risks, including controls to mitigate the risk of money-laundering.
- Review and challenge of key risk policies including lending, operational and treasury risk.
- Review of the Society's approach to change management.
- Review of the Society's approach to data protection and receive an annual report from the DPO.
- Oversight of the Society's programme of activities related to the implementation of changes necessary to comply with 'a New Consumer Duty' regulation.
- Oversight of risk management in relation to change activities, including migration of a number of systems to the cloud, work towards implementation of a customer App, and the introduction of updated processes for reporting to the Society's Regulators.

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 an important tool in periods of economic uncertainty, where movements in the external factors affecting the Society's business model move rapidly and unpredictably and where limited data may exist, or the value of historic data is limited.

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 (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).

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.

Principal Risks

The principal risks and uncertainties to achieving the Society's strategic priorities are outlined below, together with key mitigating activities:

Principal Risk	Risk Appetite Statement	Key Mitigating Actions
Strategic Risk The uncertainty that affects or is created by the Society's business strategy and strategic objectives. Uncertainty may arise from changes to the Society's business model and the potential for the strategic plan to be impacted positively or negatively by macroeconomic, geopolitical, regulatory or other factors.	As a regional building society, the Society has an **open** appetite to a range of strategic options, complimentary to its current business model and will embrace change in the interest of our current and future membership, in pursuit of the ambition to become a modern mutual.	• Business planning process. • Review by Exco of strategic and emerging risks and mitigating actions. • 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 uncertainty surrounding whether a debtor will meet their legal and contractual obligations to repay their debt on time and, ultimately, whether the Society will be able to realise its security to cover any potential losses.	The practice of extending secured credit to our customers and members is a core competency of the Society. The Society has a **cautious** appetite to a broad range of lending secured on residential or commercial property and will develop products for those where credit losses can be mitigated to an acceptable level.	• 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. • Commercial Lending Forum oversight. • Credit risk management, including analysis of risk metrics. • Support to members connected to Society's position as a signatory to the Mortgage Charter.
Capital Risk The risk that the Society fails to maintain sufficient capital to cover current and planned risk exposures and withstand a severe stress as identified as part of the ICAAP.	Capital is integral to the Society's continued growth and resilience in times of stress. The Society has a **cautious** appetite for capital risk and will deploy its capital efficiently. The Society will maintain sufficient capital to meet regulatory expectations but recognises that buffers may be utilised in times of extreme stress.	• Board approved risk appetite and risk limits. • Treasury Policy. • Treasury Middle Office reporting and monitoring. • Capital planning as part of the Society's ICAAP. • Stress testing. • Assets and Liabilities Committee oversight. • Assumptions Forum. • Recovery Plan.
Liquidity Risk The uncertainty of whether the Society will be able to meet its financial obligations as they become due, resulting in inability to support normal business activity and failure to meet regulatory liquidity requirements.	The Society has a **minimal** appetite for liquidity risk and will manage its liquidity efficiently, and in all cases maintain liquid resources above Board-approved treasury limits to give members confidence on the Society's ability to meet its obligations.	• Board approved risk appetite and risk limits. • Maintaining appropriate levels of High Quality Liquid Assets and access to Bank of England liquidity facilities. • Treasury Policy. • Treasury Middle Office reporting and monitoring. • The Society's ILAAP process. • Stress testing. • Assets and Liabilities Committee oversight. • Assumptions Forum. • Liquidity Contingency Plan and Recovery Plan

Market Risk The potential for gains and/or losses arising from changes in market rates or prices.	The Society has a **minimal** appetite for market risk and will seek to limit its exposure to variation in interest rate and basis risk positions from adverse movements in market rates. The Society does not trade in financial instruments for profit.	• Board approved risk appetite and risk limits. • Hedging of interest rate risk using interest rate swaps. • Stress testing. • Assets and Liabilities Committee oversight. • Treasury Middle Office reporting and monitoring.
Operational Risk The potential for loss and /or poor customer outcomes caused by failure of operational processes, people, systems or third parties.	The Society has a **cautious** appetite for operational risk and will seek opportunities to leverage its operational functions and processes but must do so in a rational and controlled manner. Disruption to services resulting in a breach of the Society's impact tolerances for important business services is not acceptable.	• Board approved risk appetite limits. • Strong and effective internal control environment (Controls Assurance Testing). • Insurances. • Operational Risk and Compliance Committee oversight. • Operation of the ERMF, including detailed risk management frameworks, policies, systems and processes for the secondary risks making up the Operational Risk primary risk category. • 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 operational resilience including cyber-crime and IT. • Recruitment, training and development of talented colleagues.
Conduct Risk The potential for the products and services offered by the Society to yield poor customer outcomes for both existing and prospective members.	The Society has a **minimal** appetite for conduct risk and will take all reasonable, proactive steps to prevent poor customer outcomes or foreseeable harm.	• Board approved risk appetite limits and Conduct Risk Policy. • Members are placed at the heart of the Society's decision making, aligned to the Society Values (Member Led). • Operational Risk and Compliance Committee oversight. • Customer Experience Forum oversight. • Strong risk management culture. • Conduct Risk Dashboard. • Vulnerable Customer Policy. • Enhancements introduced as a response to 'A New Consumer Duty' regulation.

Legal and Regulatory Risk The potential for loss in the form of fines, censure, reputational damage or otherwise for failing to adhere to legal or regulatory requirements	The Society has a **minimal** appetite for legal and regulatory risk and will be compliant with not only the requirements and rules but with the spirit and intent of the principles of 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.

Emerging and Thematic 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.

Over recent years there have been a number of thematic risks which have affected more than one primary risk category. These have included Brexit, the Covid-19 pandemic and the cost of living crisis. These risk themes are generally transient and will typically be dealt with through a combination of uplifted assessments against individual primary and secondary risks, coupled with ad hoc reporting bringing a holistic view of the theme.

Non-transient risk themes have also arisen, such as climate change, which is likely to have a permanent effect on a number of risk categories. For these more permanent themes it is appropriate to consider whether the ERMF needs to be adapted, and in the case of climate change, the ERMF now incorporates an additional risk cause, to help bring together future reporting. A risk strategy is also in place for climate change as part of the Society's policy framework.

The key emerging and thematic risks which the Society is currently considering include the following:

Risk	Key Mitigating Actions
Macroeconomic and Geopolitical Uncertainty. Recent macroeconomic and geopolitical events have driven significant volatility and uncertainty. In particular the opening up of economies after Covid-19, Brexit, war in Ukraine and the impact of the 'mini-budget' in the autumn of 2022 contributed to high inflation during 2023 to which the Bank of England responded by rapidly raising interest rates to their highest level in over a decade. Whilst inflation has reduced in 2024 to a level closer to the Bank of England's 2% target, interest rates remain elevated and overall, the economy is balanced between low-growth and recession.. The resultant 'cost of living' crisis has affected everyone, but in particular some of the most vulnerable members of society and those on lower incomes. The Society is directly impacted by rising costs, and also by the impact of rising interest rates. Through careful management, the Society has been able to increase interest rates to savers and salaries paid to staff whilst avoiding passing on the whole of the increase in interest rates to mortgage members on variable rate deals. A moderation in inflation rates may lead the Bank of England to reduce its base rate in the next 12 months, and the Society will manage this position carefully to balance the interests of members with the need to achieve a sustainable financial performance. Nevertheless, the Society is aware that the full effects of inflation and increased interest rates may not yet have crystalised, particularly for members reaching the end of a fixed rate mortgage deal agreed when interest rates were lower, and an increase in arrears may be a consequence of increased pressure on affordability. The market for retail mortgages and savings remains competitive, and the effects of macroeconomic uncertainty have included a reduction in mortgage activity in the market over the past 12 months, and volatility of pricing for both mortgage and savings products has persisted into 2024.	• Prudent assumptions are built into the Society's budgets for costs, levels of activity and pricing. • Monitoring of early warning indicators and other market metrics to help anticipate a further downturn in the economy. • Stress scenarios are maintained as part of the Society's management of strategic, market, capital and liquidity risk. • Appropriate affordability tests are applied to all new lending, complemented by individual underwriting. • Credit risk management, including monitoring by MLRC of management information and performance of appropriate arrears management activities. • The Society is a signatory to the Mortgage Charter, which was agreed between lenders, the Financial Conduct Authority and UK Treasury, as a set of measures designed to help regulated residential mortgage borrowers worried about higher interest rates. These measures encourage early engagement between affected borrowers and the Society, potentially leading to improved outcomes. • Cross-skilling to create increased capacity in the arrears management team as required. • Benchmarking of salaries to mitigate as far as possible the impacts of rising costs for staff.

Climate Change The Society is considering both the potential financial impacts from Climate Change and also the broader Societal impacts. Climate change will cause risks to materialise in two ways: 1. 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. 2. 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.	• The Society has implemented the requirements of the PRA's SS3/19 and continues to manage the risks and opportunities associated with climate change as part of its 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 the most recent ICAAP, whilst disclosures relating to climate change are also included within this annual report. • Continued assessment of the impacts and potential mitigations for credit, market and operational risks which may transpire, reflecting these in the Society's annual capital adequacy assessment. • Board training and updates provided to Board and Risk Committee.
Technology and Digitalisation The Society's strategy includes investment in a modernised digital capability. This is in response to demand from existing and future members and will ensure the Society remains 'relevant'. The pace of change continues to accelerate. The Society's core systems provider, Mutual Vision, is developing its strategy to ensure that, working with key strategic partners, it is able to meet the expectations of its customers in terms of modernisation. Investment in technology is likely to lead to a change in the risks faced by the Society during the process of change, and then ongoing management of a solution with greater digital capability. The Society remains cognisant of the risk of 'cyber attacks' and the potentially heightened exposure as a result of geo-political and economic factors, and also heightened future exposure in relation to the planned broadening in the Society's digital capability.	• The Society has invested in increased change management capability, including enhancements to its change management framework and appointment of additional skilled colleagues. • Use of external expertise to complement internal resource. • Architectural principles for the Society have been agreed. • Agreement of IT strategy. • Appropriate information security and cyber security controls and transfer of some of the Society's systems to the cloud to further enhance resilience.

Basel 3.1 / Strong and Small Domestic Deposit Taker Regime The Prudential Regulation Authority (PRA) is due to implement changes to regulations concerning capital, liquidity and related disclosures. These changes will affect all financial institutions and are expected to be in place by 2025. The full suite of changes under Basel 3.1 will be introduced for larger firms, whilst smaller firms will be required to implement a reduced set of changes under a Small Domestic Deposit Takers (SDDT) regime. The Society is likely to qualify to apply for the changes under the SDDT regime. The PRA has not yet published the final rules to be applied under either Basel 3.1 or SDDT. It is likely that capital requirements will become more sensitive to risk, with lower risk items attracting less regulatory capital and higher risk items attracting more regulatory capital than the current Standardised levels. Changes to reporting requirements are also anticipated.	• The Society is pro-actively engaged with industry bodies working with the PRA in relation to the new regulations. • The Society continues to monitor the PRA's plans to ensure that changes can be made on a timely basis to ensure compliance with new regulations as they are introduced.

Trevor Barratt
Chair of the Risk Committee
11 July 2024

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

Opinion on the Consolidated financial statements

In our opinion:

- give a true and fair view of the state of the Group and of the Society's affairs as at 30 April 2024 and of the Group'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 subsidiary (the 'Group') for the year ended 30 April 2024 which comprise the Group and Society's Income and Expenditure Accounts, the Group and Society's Statement of Other Comprehensive Income, the Group and Society's Statement of Financial Position, the Group and Society's Statement of Changes in Members' Interests, the Group's 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 of the Society at the AGM on 23 August 2023 to audit the financial statements for the year ended 30 April 2024 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the years ended 30 April 2021 to 30 April 2024. We remain independent of the Group and Society in accordance with the ethical requirements that are relevant to our audit of the consolidated 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's and Society's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment, based on our knowledge of the business and industry to identify factors that could impact the going concern basis of accounting.
- Reviewing the Directors' forecasts and stresses with a focus on capital and liquidity risk, and assessed their reasonableness based on historic performance, economic environment and the Group's business model.
- With the involvement of our regulatory experts, reviewing the Internal Capital Adequacy Assessment Process (ICAAP), Internal liquidity adequacy assessment process (ILAAP) and regulatory capital and liquidity requirements
- Assessing how the Directors' have factored in key external factors expected to affect the Group and Society such as the expected changes in interest rates, checking these had been appropriately considered as part of the Directors' going concern assessment.
- Reviewing the regulatory correspondence and discussed with the Prudential Regulation Authority (PRA) the business model and viability of the Group.
- Reading and evaluating the sufficiency of the disclosures made in the financial statements, in line with the requirements of the accounting standard.

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's and 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.

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% (2023: 100%) of Group profit before tax 100% (2023: 100%) of Group interest receivable and similar income 100% (2023: 100%) of Group total assets		
Key audit matters		2024	2023
	Revenue Recognition (Effective Interest Rate adjustment)	✔	✔
	Impairment provision on loans and advances	✔	✔
Materiality	Group consolidated financial statements as a whole £641,000 based on 0.75% of Net Assets (2023: £540,000 based on 0.65% of Net Assets)		

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.

The Group comprises the Society and its wholly owned subsidiary. The significant component is the Society. This component was subject to full scope audit performed by the Group audit team. The non-significant component is Austin Friars (Newport) Development Company Limited. A full scope audits has been performed for this component by the Group audit team.

Climate change

The disclosure of the Director's consideration of the impact of climate change on the operations of the entity is included in the Strategic Report and forms part of the "Other information". Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities as set out in the "Other information" section of our audit report below.

In note 1, the Directors have explained that the Society makes use of reasonable and supportable information to make accounting judgments and estimates which includes information about the observable effects of the physical and transition risks of climate change on the current creditworthiness of their borrowers, asset values and market indicators, where relevant. We have performed our own qualitative risk assessment of the impact of climate change on the operations of the entity, taking into consideration the sector in which the Company operates and how climate change affects this particular sector. Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

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 (Effective Interest Rate Adjustment) The Group's accounting policies are disclosed in note 1	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 model used to achieve this is 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 this model. The key assumption in the EIR model is the expected behavioural life of the mortgages due to the impact on timing and quantum of expected future cash flows. Judgement is applied in evaluating and assessing behavioural life redemption profiles. Furthermore, the assumption of Early repayment charges (ERC) which will be recognised are an integral part of the EIR adjustment, which are subject to management judgement and bias. Bias in this key assumption applied could result in the material misstatement of revenue. Revenue recognition, specifically the behavioural life assumption applied in the EIR adjustment, and ERC were 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 assessed the fees and costs included or excluded from the effective interest rate estimates, including early redemption charges. We identified the key data elements of the model and on a sample basis tested the completeness and accuracy of these key data elements 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. We challenged the reasonableness of the loan behavioural life assumptions used by management based on the Group's historical data, recent loan performance and product type and external relevant benchmarking. We assessed the model for its sensitivities to changes in the key assumptions by considering different profiles of behavioural life. With the involvement our data analytics team, we recalculated the EIR adjustment for a sample of loans. We verified the arithmetic accuracy of the ERC model by performing a detailed review of the logic, consistency and integrity of the formulae throughout the ERC model and recalculated the model output. We assessed the appropriateness of estimated future ERCs with reference to the Society's historical repayment patterns and external economic factors which may affect borrowers' repayment behaviours, including evaluating the impact of applying alternative assumptions on the ERC income, loan survival rates, and discount rates.

Key Audit matter		How the scope of our audit addressed the key audit matter
		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 model are unreasonable in consideration of the Group's mortgage portfolio, historic behaviours and current economic and market conditions.
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 page 81 As disclosed in Note 10, the impairment provision at year-end is £983,000 (2023: £1,608,000).	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 that have defaulted ie. 3 or more months in arrears. ii. A collective provision is recognised for loans which are impaired as at the year-end, but have not defaulted. Estimating the collective loan loss provision requires significant management judgement and estimate in determining the value and timing of expected future cash flows. 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 assessed the provision model methodology against the requirements of applicable accounting standards. We tested the operating effectiveness of relevant controls including: Governance and assumption forum meeting approving all significant assumptions and loan management system control that identifies loans in arrears which are then flagged for investigation with the involvement of our IT specialists. We checked the completeness and accuracy of data and key assumption inputs feeding into the provision model calculations through reconciliation to underlying records and vice versa. For the provision, we evaluated and challenged management's key assumptions in the model including using sensitivity to identify areas of focus. Based on above, assumptions which we identified were: forced sales discount, discount applied on the House Price Index (HPI) and probability of default. These were challenged with reference to historic Society experience, the reasonableness of external data points used, and the level of the overall collective impairment provision to comparable peer organisations. We performed a stand-back assessment on the below • overall provision and coverage to determine if provision levels were reasonable and internally consistent; and • loans which had been written off to determine if provision levels were reasonable and adequate.

Key Audit matter		How the scope of our audit addressed the key audit matter
	For these reasons, we considered assumptions applied to the Probability of Default ('PD') rate derivation to be a significant risk	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 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.

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 statements	
	2024 £m	2023 £m	2024 £m	2023 £m
Materiality	£641,000	£540,000	£637,000	£537,000
Basis for determining materiality	0.75% of Net assets	0.65% of Net assets	0.75% of Society's net assets	0.65% of Society's net assets
Rationale for the benchmark applied	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. This measure 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. On the basis of our risk assessment together with factors such as the users of the financial statements, group structure, public interest in the financial statements and use of financial statements by stakeholders, our judgement was that overall materiality for the Group and Society should be 0.75% of net assets Given the absence of significant changed in the business and control environment, we have increased the threshold from 0.65% to 0.75%			
Performance materiality	£416,000	£324,000	£414,000	£322,000
Basis for determining performance materiality	65% 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 65% 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 expected total value of known and likely misstatements, based on past experience, our judgement was that overall performance materiality for the Group should be 60% of materiality.	65% 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 65% 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 expected total value of known and likely misstatements, based on past experience, our judgement was that overall performance materiality for the Society should be 60% of materiality.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £25,000 (2023: £16,000). 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 & 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 consolidated 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 matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given on page 119 for the financial year ended 30 April 2024 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.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance and Audit Committee; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and

we considered the significant laws and regulations to be the Building Societies Act 1986, Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FRA") regulations, pension legislation and tax legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Irregularities including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance, Audit Committee, and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- With the involvement of our forensic specialists, discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of control, revenue recognition in relation to the behavioural life profiles used in EIR accounting estimate and the probability of default assumption applied for loan loss provisioning.

Our procedures in respect of the above included:

- With the involvement of our forensic specialists, we assessed the susceptibility of the Group and Society's consolidated financial statements to material misstatement, including how fraud might occur
- Addressing the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.
- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations discussed above;
- Making enquiries in respect of known or suspected fraud of management, internal audit and the Audit Committee;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the FCA and the PRA for instances of fraud or non compliance with laws and regulations;
- In addressing the risk of fraud through management override of controls, testing journal entries and other adjustments by agreeing them to supporting documentation, including those journals posted with certain descriptions or unusual characteristics, backdated journals or posted by infrequent and unexpected users;
- 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.
- 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.
- The Group and the Society operate in an industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, involving specialists and experts where appropriate.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities 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 consolidated 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.

David Gonnelli

David Gonnelli (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

11 July 2024

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

Income and Expenditure Accounts
Year ended 30th April 2024

	Notes	Group 2024 £000	Group 2023 £000	Society 2024 £000	Society 2023 £000
Interest receivable and similar income	2	94,516	56,175	94,516	56,175
Interest payable and similar charges	3	(62,940)	(28,427)	(62,940)	(28,427)
Net interest receivable		31,576	27,748	31,576	27,748
Fees and commissions receivable		33	36	33	36
Fees and commissions payable		(733)	(179)	(733)	(179)
Net profit or loss on financial operations		30,876	27,605	30,876	27,605
Other operating income		71	103	51	87
Other operating expense		(237)	-	(237)	-
Other fair value (losses) / gains	4	(3,737)	8,205	(3,737)	8,205
Total operating income		**26,973**	**35,913**	**26,953**	**35,897**
Administrative expenses	6	(22,023)	(21,589)	(22,085)	(21,644)
Depreciation and amortisation	13, 14	(1,662)	(1,133)	(1,606)	(1,113)
Total operating profit before provisions		**3,288**	**13,191**	**3,262**	**13,140**
Provisions for bad and doubtful debts	10	142	(1,127)	142	(1,127)
Other provisions	19	-	(40)	-	(40)
Operating profit		3,430	12,024	3,404	11,973
Profit on ordinary activities before tax		3,430	12,024	3,404	11,973
Tax on profit on ordinary activities	7	(1,101)	(2,338)	(1,090)	(2,324)
Profit for the financial year		**2,329**	**9,686**	**2,314**	**9,649**

The notes on pages 81 to 116 form an integral part of these accounts.

Statement of Other Comprehensive Income
Year ended 30th April 2024

	Notes	Group 2024 £000	Group 2023 £000
Profit for the financial year		2,329	9,686
Actuarial gains recognised in the pension scheme	20	702	528
Deferred Tax charge	7	(175)	(132)
Total comprehensive income relating to the financial year and recognised since last annual report		**2,856**	**10,082**

	Notes	Society 2024 £000	Society 2023 £000
Profit for the financial year		2,314	9,649
Actuarial gains recognised in the pension scheme	20	702	528
Deferred Tax charge	7	(175)	(132)
Total comprehensive income relating to the financial year and recognised since last annual report		**2,841**	**10,045**

The notes on pages 81 to 116 form an integral part of these accounts.

Statement of Financial Position
Year ended 30 April 2024

		Group		Society	
Assets	Notes	2024 £000	2023 £000	2024 £000	2023 £000
Liquid Assets			(Restated)		(Restated)
Cash in hand		513	854	513	470
Treasury bills	8	59,458	19,645	59,458	19,645
Loans and advances to credit institutions	5	164,522	149,307	164,522	149,307
Debt securities issued by other borrowers	8	68,885	101,080	68,885	101,080
	5	**293,378**	**270,886**	**293,378**	**270,502**
Derivative financial instruments	12	33,533	47,242	33,533	47,242
Loans and advances to Customers					
Loans fully secured on residential property	9	1,317,638	1,256,635	1,317,638	1,256,635
Other loans – fully secured on land	9	47,676	34,635	47,676	34,635
		1,692,225	**1,609,398**	**1,692,225**	**1,609,014**
Investments	11	369	369	2,444	2,444
Intangible fixed assets	13	221	391	221	391
Tangible fixed assets	14	4,406	6,040	3,055	4,633
Other assets	23	740	1,003	739	1,004
Prepayments and accrued income		1,300	1,322	1,300	1,322
Total assets		**1,699,261**	**1,618,523**	**1,699,984**	**1,618,808**
Liabilities					
Shares	15	1,286,946	1,168,210	1,286,946	1,168,210
Amounts owed to credit institutions	16	150,272	156,212	150,272	156,212
Amounts owed to other customers	17	167,149	201,431	167,149	201,431
Derivative financial instruments	12	4,946	4,187	4,946	4,187
Other liabilities	18	468	610	1,623	1,312
Accruals and deferred income		1,442	1,802	1,442	1,802
Provisions for liabilities	19	40	40	40	40
Net pension scheme liability	20	2,601	3,490	2,601	3,490
Total liabilities		**1,613,864**	**1,535,982**	**1,615,019**	**1,536,684**
Total equity attributable to members		**85,397**	**82,541**	**84,965**	**82,124**
Total equity and liabilities		**1,699,261**	**1,618,523**	**1,699,984**	**1,618,808**

Prior year amounts have been restated to separate treasury bills from debt securities issues by other borrowers. Further details can be found in Note 8

The notes on pages 81 to 116 form an integral part of these accounts. These financial statements were approved by the Board of Directors and authorised for issue on 11 July 2024.

Roger Turner
Non-Executive Director

William Carroll
Executive Director

Statement of Changes in Members' Interests

Year ended 30 April 2024	Notes	General Reserve
Group		£000
At 1 May 2023		82,541
Profit for financial year		2,329
Other comprehensive Income in the Period		
Actuarial gain recognised in the pension scheme	20	702
Deferred tax charge	7	(175)
At 30 April 2024		**85,397**

Year ended 30 April 2024	Notes	General Reserve
Society		£000
At May 2023		82,124
Profit for financial year		2,314
Other comprehensive Income in the Period		
Actuarial gain recognised in the pension scheme	20	702
Deferred tax charge	7	(175)
At 30 April 2024		**84,965**

Year ended 30 April 2023	Notes	General Reserve
Group		£000
At May 2022		72,459
Profit for financial year		9,686
Other comprehensive Income in the Period		
Actuarial gain recognised in the pension scheme	20	528
Deferred tax charge	7	(132)
At 30 April 2023		**82,541**

Year ended 30 April 2023	Notes	General Reserve
Society		£000
At May 2022		72,079
Profit for financial year		9,649
Other comprehensive Income in the Period		
Actuarial gain recognised in the pension scheme	20	528
Deferred tax charge	7	(132)
At 30 April 2022		**82,124**

Consolidated Cash Flow Statement

	Notes	Group 2024 £000	Group 2023 £000 (Restated)
Cash flows from operating activities			
Profit on operating activities before tax		3,430	12,024
Provisions for bad and doubtful debts		(142)	1,127
Depreciation and amortisation		1,662	1,134
Net charge in respect of retirement benefit obligations		159	2,024
Taxation paid		(502)	(4,392)
Loss / (Gain) on sale of tangible and intangible fixed assets		6	(28)
Amortisation on debt securities		(2,169)	(711)
Net cash inflow from operating activities before movement in operating assets and liabilities		**2,444**	**11,178**
Movement in operating assets and liabilities			
Loans and advances to customers		(74,386)	(90,817)
Loans and advances written off		484	385
Shares		118,735	173,246
Amounts owed from credit institutions and other customers		(40,221)	(57,238)
Derivative financial assets		13,709	(24,607)
Other assets		(104)	23
Other liabilities		(548)	(14)
Prepayments and accrued income		227	(229)
Derivative financial liabilities		760	3,803
Accruals and deferred income		(361)	757
Provisions for liabilities		-	40
Employer pension scheme contributions		(346)	(274)
Net cash inflows from operating activities		**17,949**	**5,075**
Cash flows from investing activities			
Purchase of tangible and intangible fixed assets		(26)	(1,846)
Disposal of tangible and intangible fixed assets		161	341
Purchase of treasury bills		(103,067)	(19,645)
Maturities and disposal of treasury bills		65,000	51,500
Purchase of debt securities		(21,434)	(61,454)
Maturities and disposal of debt securities		53,847	38,000
Net cash (outflows) / inflows from investing activities		**(5,519)**	**6,896**
Net increase in cash and cash equivalents		**14,874**	**23,149**
Cash and cash equivalents at beginning of the year		**150,161**	**127,012**
Cash and cash equivalents at end of the year	24	**165,035**	**150,161**

Notes to the Accounts
Year ended 30th April 2024

1. Accounting Policies

General Information

Monmouthshire Building Society is a building society and is registered in the United Kingdom. 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 the nearest £000.

The impact of Climate risk on the accounting judgments and estimates

The Society makes use of reasonable and supportable information to make accounting judgments and estimates. This includes information about the observable effects of the physical and transition risks of climate change on the current creditworthiness of borrowers, asset values and market indicators, where relevant.

Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates for the current period. Some physical and transition risks can manifest in the shorter term.

The following represents the most significant effect:

- The measurement of loan loss provision with regards to the valuation of collateral that is assumed to include current information and knowledge regarding the effect of climate risk.

Going Concern

The Group 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 Group 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 Group'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 analysis concluded that the Group remains 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.

Accounting Policies (continued)

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 Group that are an integral part of the yield of the financial instrument. The impact of this calculation is primarily influenced by estimated future cash inflows attributable to early repayment charges.

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 Group 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 Group'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 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 Group'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 Group 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 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 Group'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 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 Group 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 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 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 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 Group, 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.

Accounting Policies (continued)

Derivative Financial Instruments and Hedge Accounting

The Group uses derivatives only for risk management purposes. The Group 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 uses hedge accounting. Hedge relationships are formally designated and documented at inception.

Two adjustments are required to account for hedging relationships:

- An adjustment for any non-zero fair value in the hedged item at the point of designation (in line with the requirement of IAS39 paragraph 89(b) to recognise only the gain or loss on the hedged item attributable to the hedged risk) – referred to as a "pre-designation adjustment";
- An adjustment for the carrying value of the hedging adjustment relating to the hedged item, in the event of earlier than anticipated de-designation from the hedge relationship, over the remaining period of the hedge had the de-designation not occurred (in line with IAS39 paragraph 92) – referred to as a "de-designation adjustment".

Pre-designation adjustments occur once an instrument has been newly designated as part of a hedge relationship. The amount of the fair value of the hedged item at designation is amortised to the income statement on a straight-line basis over the life of the hedge relationship. This adjustment is to be amortised fully by the maturity of the hedge, ensuring that the total fair value adjustment at the end of the hedge relationship is zero.

De-designation adjustments occur where a hedge no longer meets the criteria for fair value hedge accounting. When this occurs, the change in the carrying amount of the hedged item is amortised to the income statement over the period to maturity, representing the remaining period of the hedge as though the de-designation had not occurred.

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; and
- freehold buildings 50 years straight-line basis.

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.

Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Judgements in Applying Accounting Policies and Critical Accounting Estimates

The Group 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 2024. Provisioning has taken into account the likely impact of cost-of-living pressures as a result of rising inflation, including higher energy costs and interest rate rises. Consideration has been given to borrowing members' capacity to absorb these rising costs as household incomes continue to be squeezed. The details of the provisioning 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 41.

Impairment Provision on Loans and Advances

The Group 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, the forced sale discount, any reduction in house prices before sale and the likelihood that a loan will become impaired/default, known as the Probability of Default (PD). On any subsequent sale of property an increase in the forced sale discount of 5% would result in a movement of the provision of £0.24m (2023: £0.27m). An increase of 5% in the house price reduction would result in a movement of the provision of £0.21m (2023: £0.21m). The impact of a 5% increase in PD would increase the provision by £0.1m (2023: £0.5m). 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 Group 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.

Retirement Benefit Obligations

The Group operates a defined benefit pension scheme. The Group makes significant judgements to calculate the present value of the retirement benefit obligations in respect of mortality, price inflation, discount rates and pension increases. 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 impact upon the financial statements are the discount rate applied to determine the scheme's liabilities, the price inflation and the mortality rate of members. The following changes in assumptions applied will increase the deficit approximately by the following:

	Increase in deficit
Discount rate decrease of 0.5% (2023: 0.5%)	£1.0m (2023: £0.9m)
RPI price inflation increase of 0.5% (2023: 0.5%)	£0.5m (2023: £0.6m)
Members assumed to live one year longer (2023: one year longer)	£0.4m (2023: £0.3m)

Further details on the assumptions used in valuing retirement benefit obligations can be found in note 20.

2. Interest receivable and similar income

	Group and Society	
	2024	2023
	£000	£000
At amortised cost:		
On loans fully secured on residential property	52,958	35,472
On other loans	3,897	2,074
On liquid assets	13,494	6,779
	70,349	**44,325**
At fair value through profit and loss:		
On derivative financial instruments	24,167	11,850
	94,516	**56,175**

3. Interest payable and similar charges

	Group and Society	
	2024	2023
	£000	£000
At amortised cost:		
On shares held by individuals	51,271	23,395
On deposits and other borrowings	9,247	4,578
	60,518	**27,973**
At fair value through profit and loss:		
On derivative financial instruments	2,422	454
	62,940	**28,427**

4. Other fair value gains and losses

	Group and Society	
	2024	2023
	£000	£000
(Loss) / gain on hedged derivatives	(11,071)	13,555
(Loss) / gain on unhedged dervatives	(3,257)	7,227
Gain / (loss) on hedged items attributable to the hedged risk	10,591	(12,577)
Net (loss) / gain	**(3,737)**	**8,205**

Other fair value gains and losses represent the difference between changes in the fair values excluding interest flows of derivatives and the changes in the fair values excluding interest flows of the underlying hedged items.

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 and fixed rate share and deposit liabilities. All hedges are supported by comprehensive hedging documentation in accordance with the requirements of FRS 102. The Society utilises the derivative instruments for hedging purposes only and no such instruments are used for trading activity or speculative purposes.

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 elected under FRS102 to implement the requirements of IAS 39, allowing the Society to use macro hedging to reduce the volatility in the Income and Expenditure Account that allows the Society to offset fair value movements on derivatives by applying fair value adjustments to the underlying hedged items.

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

In both the current and prior year, all new swap contracts entered into referenced Sterling Overnight Indexed Average (SONIA).

Further details on derivatives and hedged items are set out in note 12.

Interest Rate Risk

Interest rate risk is the risk that the net interest income from, or economic value of, assets and liabilities changes as a result of movements in market interest rates. The Group is exposed to movements in interest rates to the extent that there is a mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset.

The Group considers the impact that six interest rate scenarios (including both parallel and non-parallel market rate shifts) could have on the market value of its financial assets and liabilities. The 'supervisory outlier test' specifies the interest rate scenarios as well as the criteria to evaluate if there is a significant decline in the economic value of equity (EVE) that could trigger supervisory measures. A monthly EVE gap sensitivity analysis is performed on the interest rate scenarios. As at 30 April 2024, the Economic Value of the Group's balance sheet would have decreased reserves by £4.7m (2023: £1.8m) in the case of a parallel +2.5% shift in rates.

The Group uses derivative financial instruments and exposure limits set by the Board to mitigate the effect of adverse interest rate movements on both net interest income and economic value. The position against these net interest income and economic value limits is monitored by the Group's ALCO committee.

The Board monitors its market value (MV) exposure through static and dynamic (24 months forward) interest rate gap sensitivities to a +2.5%/-2.5% parallel shift in rates, which is discounted against a risk-free SONIA rate. At 30 April 2024 the impact of a 2.5% parallel increase in interest rates was £676k adverse (2023: £212k favourable, on a 2% parallel shift), whilst the impact of a 2.5% parallel decrease in interest rates was £676k favourable (2023: £212k adverse on a 2% parallel shift).

The Group is not exposed to foreign currency risk.

Financial Instruments (continued)

The table below analyses the Group's financial instruments as at 30 April 2024.

	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Non-financial assets/ liabilities	Total
	£000	£000	£000	£000	£000	£000
Assets						
Cash	-	513	-	-	-	513
Loans and advances to credit institutions	-	164,522	-	-	-	164,522
Debt securities	68,885	-	-	-	-	68,885
Treasury bills	59,458					59,458
Loans and advances to customers	-	1,365,314	-	-	-	1,365,314
Derivative financial instruments	-	-	-	33,533	-	33,533
Total financial assets	128,343	1,530,349	-	33,533	-	1,692,225
Non-financial assets	-	-	-	-	7,036	7,036
	128,343	**1,530,349**	**-**	**33,533**	**7,036**	**1,699,261**
Liabilities						
Shares	-	-	1,286,946	-	-	1,286,946
Amounts owed to credit institutions and other customers	-	-	317,421	-	-	317,421
Derivative financial instruments	-	-	-	4,946	-	4,946
Total financial liabilities	-	-	1,604,367	4,946	-	1,609,313
Non-financial liabilities	-	-	-	-	4,551	4,551
Reserves	-	-	-	-	85,397	85,397
	-	**-**	**1,604,367**	**4,946**	**89,948**	**1,699,261**

The table below analyses the Group's financial instruments as at 30 April 2023.

	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Non-financial assets/ liabilities	Total
	£000	£000	£000	£000	£000	£000
Assets	(restated)					(restated)
Cash	-	854	-	-	-	854
Loans and advances to credit institutions	-	149,307	-	-	-	149,307
Debt securities	101,080	-	-	-	-	101,080
Treasury bills	19,645					19,645
Loans and advances to customers	-	1,291,270	-	-	-	1,291,270
Derivative financial instruments	-	-	-	47,242	-	47,242
Total financial assets	120,725	1,441,431	-	47,242	-	1,609,398
Non-financial assets	-	-	-	-	9,125	9,125
	120,725	**1,441,431**	**-**	**47,242**	**9,125**	**1,618,523**
Liabilities						
Shares	-	-	1,168,210	-	-	1,168,210
Amounts owed to credit institutions and other customers	-	-	357,643	-	-	357,643
Derivative financial instruments	-	-	-	4,187	-	4,187
Total financial liabilities	-	-	1,525,853	4,187	-	1,530,040
Non-financial liabilities	-	-	-	-	5,942	5,942
Reserves	-	-	-	-	82,541	82,541
	-	**-**	**1,525,853**	**4,187**	**88,483**	**1,618,523**

Prior year amounts have been restated to present debt securities and treasury bills as separate financial assets in accordance with the principles of the Building Societies (Accounts and Related Provision) Regulations 1998.

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.

A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Society measures the fair value of its derivative instruments by applying Level 2 of the above hierarchy, as there is no quoted price available within an active market for that instrument, but observable market inputs are available (principally forward SONIA interest rates) on which the valuation can be based. The table below analyses the Society's financial instruments carried at fair value at 30 April 2024.

	Group and Society	
	2024	2023
	£000	£000
Financial assets		
Derivative financial instruments	33,533	47,242
Financial liabilities		
Derivative financial instruments	4,946	4,187

Credit risk

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

	Group		Society	
	2024	2023	2024	2023
	£000	£000	£000	£000
		(restated)		(restated)
Loans and advances to credit institutions	164,522	149,307	164,522	149,307
Debt securities	68,885	101,080	68,885	101,080
Treasury bills	59,458	19,645	59,458	19,645
Loans and advances to customers	1,365,314	1,291,270	1,365,314	1,291,270
Derivative assets	33,533	47,242	33,533	47,242
	1,691,712	**1,608,544**	**1,691,712**	**1,608,544**

Credit risk on loans and advances to customers is shown net of impairment provisions of £983k (2023: £1,608k). The Group's total credit risk exposure to the mortgage portfolio including undrawn commitments is £1,419m (2023: £1,362m).

Prior year amounts have been restated to present debt securities and treasury bills as separate financial assets in accordance with the principles of the Building Societies (Accounts and Related Provision) Regulations 1998.

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

The Group's Treasury Policy permits lending to central government, 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 including derivatives is shown in the table below:

Industry Sector	Group			
	2024	2024	2023	2023
	£000	%	£000	%
			Restated	Restated
Cash in hand	513	-	854	-
Other assets				
Banks	69,542	21	114,602	36
Building Societies	27,797	9	28,282	9
UK Government	69,189	21	31,069	10
Bank of England	159,871	49	143,321	45
	326,911	**100**	**318,128**	**100**

Other assets represent loans and advances to credit institutions, debt securities, and derivative financial instruments.

b. Loans and advances to Customers

The Group adopts a prudent lending approach to its mortgage customers which helps ensure that default rates are low. For new customers, the Group 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. The Group holds both capital and interest and interest only mortgages. The interest only mortgage book totals £490.2m (2023: £434.7m) and the associated credit quality of the portfolio is similar to that of the rest of the mortgage book.

Financial Instruments (continued)
Liquidity risk

The Group's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Group and to enable the Group to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets, wholesale funding facilities and management controlling the operations of the business.

The following tables detail the Group's remaining undiscounted contractual cash flows for its derivative and non-derivative financial liabilities:

As at 30 April 2024	Repayable on demand	Not more than three months	More than three months but less than one year	More than one year but less than five years	Over five years	Total
	£000	£000	£000	£000	£000	£000
Non-Derivative Financial Liabilities						
Shares	708,208	89,507	394,570	119,182	8,144	1,319,611
Amounts owed to credit institutions and other customers	173,139	7,033	63,647	81,273	-	325,092
Derivative Financial Liabilities						
Derivative financial instruments	-	641	1,334	3,366	-	5,341
	881,347	**97,181**	**459,551**	**203,821**	**8,144**	**1,650,044**

As at 30 April 2023	Repayable on de-mand	Not more than three months	More than three months but less than one year	More than one year but less than five years	Over five years	Total
	£000	£000	£000	£000	£000	£000
Non-Derivative Financial Liabilities						
Shares	758,659	33,087	170,328	221,024	6,887	1,189,985
Amounts owed to credit institutions and other customers	216,005	6,029	12,462	134,550	-	369,046
Derivative Financial Liabilities						
Derivative financial instruments	-	501	1,556	2,431	-	4,488
	974,664	**39,617**	**184,346**	**358,005**	**6,887**	**1,563,519**

Loan to value (LTV) Analysis Residential	Group	Group
	2024	2023
	%	%
0-50%	25	24
50% to 60%	10	11
60% to 70%	15	12
70% to 80%	17	16
80% to 90%	27	28
90% to 100%	6	9
Total	**100**	**100**

LTV Analysis Buy to Let	Group	Group
	2024	2023
	%	%
0-50%	9	9
50% to 60%	10	10
60% to 70%	19	19
70% to 80%	60	61
80% to 90%	1	1
90% to 100%	1	-
Total	**100**	**100**

LTV Analysis Commercial	Group	Group
	2024	2023
	%	%
0-50%	33	50
50% to 60%	44	16
60% to 70%	19	27
70% to 80%	3	6
80% to 90%	1	-
90% to 100%	-	-
Greater than 100%	-	1
Total	**100**	**100**

The Group'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 56% (2023: 56%). The consistency with the prior year reflects the diverse mix of lending sought by the Society in the financial year. The collateral consists of residential or commercial property.

Financial Instruments (continued)

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

Geographical Split - Residential				
	2024	2024	2023	2023
	£000	%	£000	%
Wales	356,422	36	361,233	39
South West	93,079	10	90,168	10
Inner London	131,336	13	111,480	12
Midlands	128,714	13	112,924	12
South East	81,061	8	77,835	8
North West	83,096	9	76,408	8
Other	59,002	6	54,703	6
Outer London	49,926	5	42,291	5
	982,636	**100**	**927,042**	**100**

Geographical Split - Buy to Let	Group		Group	
	2024	2024	2023	2023
	£000	%	£000	%
Wales	112,216	33	115,599	34
South West	97,819	29	98,478	30
South East	29,901	9	26,392	8
Outer London	20,776	6	22,146	7
North West	25,347	7	20,713	6
Other	27,348	8	23,642	7
Midlands	15,227	4	14,696	4
Inner London	11,985	4	11,864	4
	340,619	**100**	**333,530**	**100**

Geographical Split - Commercial	Group		Group	
	2024	2024	2023	2023
	£000	%	£000	%
Wales	20,859	50	16,820	55
Midlands	10,358	25	8,785	29
South East	4,403	10	4,097	13
South West	6,439	15	996	3
Inner London	-	-	-	-
North West	-	-	-	-
Outer London	-	-	-	-
Other	-	-	-	-
	42,059	**100**	**30,698**	**100**

Geographical Split - Total	Group		Group	
	2024	2024	2023	2023
	£000	%	£000	%
Wales	489,497	36	493,652	38
South West	197,337	14	189,643	15
Inner London	143,321	11	123,344	10
Midlands	154,299	11	136,405	11
South East	115,365	8	108,323	8
North West	108,443	8	97,121	8
Other	86,350	7	78,345	5
Outer London	70,702	5	64,437	5
	1,365,314	**100**	**1,291,270**	**100**

Arrears Analysis - Residential	Group		Group	
	2024	2024	2023	2023
	£000	%	£000	%
Neither past due nor impaired	976,004	99	913,955	99
Past due up to 3 months	5,350	1	10,679	1
Past due up to 6 months	558	-	349	-
Past due 6 to 9 months	39	-	738	-
Past due over 9 months	685	-	1,321	-
	982,636	**100**	**927,042**	**100**

Arrears Analysis - Buy to Let	Group		Group	
	2024	2024	2023	2023
	£000	%	£000	%
Neither past due nor impaired	335,285	99	329,521	99
Past due up to 3 months	4,722	1	3,176	1
Past due up to 6 months	294	-	120	-
Past due 6 to 9 months	-	-	33	-
Past due over 9 months	318	-	680	-
	340,619	**100**	**333,530**	**100**

Arrears Analysis - Commercial	Group		Group	
	2024	2024	2023	2023
	£000	%	£000	%
Neither past due nor impaired	41,508	99	29,584	96
Past due up to 3 months	397	1	600	2
Past due up to 6 months	-	-	142	-
Past due 6 to 9 months	48	-	195	1
Past due over 9 months	106	-	177	1
	42,059	**100**	**30,698**	**100**

Arrears Analysis - Total	Group		Group	
	2024	2024	2023	2023
	£000	%	£000	%
Neither past due nor impaired	1,352,797	99	1,273,060	99
Past due up to 3 months	10,469	1	14,455	1
Past due up to 6 months	852	-	611	-
Past due 6 to 9 months	87	-	966	-
Past due over 9 months	1,109	-	2,178	-
	1,365,314	**100**	**1,291,270**	**100**

The table above shows the arrears status of the Group'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 0.30% (2023: 0.35%) is greater than three months in arrears. Specific provisions are calculated against potentially impaired balances (see note 10).

6. Administrative Expenses

	Group		Society	
	2024	2023	2024	2023
	£000	£000	£000	£000
Staff costs	12,935	15,139	12,935	15,139
Auditor's remuneration:				
Statutory audit of Group and Society	487	368	487	368
Statutory audit of Subsidiary	5	5	5	5
Other services	-	-	-	-
Other expenses	8,596	6,077	8,658	6,132
	22,023	**21,589**	**22,085**	**21,644**

Included in staff costs are defined contribution pension scheme contributions of £1,486k (2023: £1,177k). Statutory audit of Group and Society costs include £84,000 of costs related to the 2023 audit but incurred in 2024.

7. Taxation

	Group		Society	
	2024	2023	2024	2023
	£000	£000	£000	£000
Current Tax:				
UK Corporation Tax charge	1,215	2,523	1,204	2,509
Adjustments in respect of previous years	(2)	3	(2)	3
Total current tax charge	**1,213**	**2,526**	**1,202**	**2,512**
Deferred Tax:				
Origination and reversal of timing difference	(115)	(212)	(115)	(212)
Adjustments in respect of previous years	3	73	3	73
Effects of changes in tax rates	-	(49)	-	(49)
Total deferred tax credit	**(112)**	**(188)**	**(112)**	**(188)**
Total tax charge per Income and Expenditure Account	**1,101**	**2,338**	**1,090**	**2,324**
Equity items				
Deferred tax charge	175	132	175	132
Total tax charge	**1,276**	**2,470**	**1,265**	**2,456**

Taxation (continued)

The Society was subject to an effective tax rate of 25% for the year (2023: 19.5%). The Society is subject a to corporation tax rate of 25%.

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

	Group		Society	
	2024	2023	2024	2023
	£000	£000	£000	£000
Profit before tax	**3,430**	**12,024**	**3,404**	**11,973**
Effects of:				
Tax at 25% thereon (2023: 19.5%)	857	2,349	851	2,335
Expenses not deductible	238	(38)	238	(38)
Adjustments from previous periods	6	76	1	76
Tax rate changes	-	(49)	-	(49)
Tax charge for the period	**1,101**	**2,338**	**1,090**	**2,324**
Statement of Financial Position				
Current tax payable / (receivable)	429	(283)	410	(305)
Deferred tax asset	(643)	(706)	(643)	(706)
Deferred tax assets:				
Deferred tax asset at start of period	(706)	(651)	(706)	(651)
Deferred tax credit to income statement for the period	(115)	(211)	(115)	(211)
Adjustment in respect of prior years	3	73	3	73
Impact of change in tax rate	-	(49)	-	(49)
Deferred tax charge in equity for the period	175	132	175	132
Deferred tax asset at end of period	**(643)**	**(706)**	**(643)**	**(706)**
Fixed asset timing differences	18	188	18	188
Short-term timing differences – trading	(661)	(894)	(661)	(894)
	(643)	**(706)**	**(643)**	**(706)**
Deferred tax assets recoverable	**(643)**	**(706)**	**(643)**	**(706)**

8. Debt Securities Issued by Other Borrowers

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

	Group and Society	
	2024	2023
Debt securities	£000	£000 (Restated)
Accrued interest	369	574
Maturing in not more than one year	37,609	48,916
Maturing in more than one year	30,907	51,590
	68,885	**101,080**
Treasury bills		
Maturing in not more than one year	**59,458**	**19,645**
Analysis of debt securities and treasury bills:		
Issued by UK government	69,189	31,068
Issued by other borrowers	45,661	56,866
Issued by supranational entities	13,493	32,791
	128,343	**120,725**

In prior years, the Group and Society presented treasury bills and debt securities as a single line in the Statement of Financial Position. The Building Societies (Accounts and Related Provision) Regulations 1998, requires treasury bills and debt securities to be presented separately. The Society has therefore amended the presentation of such assets to result in treasury bills and debt securities being disclosed as separate items and, in doing so, restated the prior year figures accordingly. Amounts presented on the Consolidated Cash Flow Statement have been restated to show cash flows attributable to the purchase and disposal and maturity of treasury bills as distinctive line items, separate from cash flows attributable to debt securities.

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	
	2024	2023
	£000	£000
In not more than three months	15,776	8,464
In more than three months but not more than one year	5,938	10,458
In more than one year but not more than five years	82,520	63,689
In more than five years	1,281,293	1,240,170
	1,385,527	**1,322,781**
Provisions for bad and doubtful debts (note 10)	(983)	(1,608)
Effective interest rate adjustments	1,277	1,032
Fair value adjustments due to hedged risk	(20,507)	(30,935)
	1,365,314	**1,291,270**
Loans fully secured on residential property	1,317,638	1,256,635
Other loans – fully secured on land	47,676	34,635
	1,365,314	**1,291,270**

Loans and Advances to Customers (continued)

The Society has encumbered £216.8m (2023: £298.2m) 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 Statement of Financial Position.

10. Provision for Bad and Doubtful Debts

The Group has reviewed the applicability of the previous arrears experience on which its impairment models are based to the current economic environment. Management has determined that this experience is reflective of the current operating environment; however, should it be deemed that current risks are not wholly captured within the model output, post model adjustments can be applied to ensure the completeness of the provision.

Previously, post model adjustments were applied to capture the impact of high-energy prices and cost-of-living pressures for customers. Given these impacts would now have crystalised within the Society's arrears experience, the adjustments for the current year total £0 (2023: £482k).

A further driver in the provision for bad and doubtful debts is the level of specific provisions held in respect of individual accounts, with the Group having had a low and stable arrears experience in the year.

	Group and Society				
	Residential		Commercial		
	Specific	Collective	Specific	Collective	Total
	£000	£000	£000	£000	£000
At 1 May 2023	880	587	115	26	1,608
Amounts utilised in year	(154)	-	(329)	-	(483)
Charge /(Credit) for the year	(56)	(276)	214	(24)	(142)
At 30 April 2024	**670**	**311**	**-**	**2**	**983**
At 1 May 2022	228	284	350	4	866
Amounts utilised in year	(385)	-	-	-	(385)
Charge / (credit) for the year	1,037	303	(235)	22	1,127
At 30 April 2023	**880**	**587**	**115**	**26**	**1,608**

11. Investments

	Group		Society	
	2024	2023	2024	2023
	£000	£000	£000	£000
Shares in subsidiaries	-	-	2,075	2,075
Shares in other investments (Mutual Vision Technologies Limited)	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	Principle activity	Class of shares held	Interest of Society
Austin Friars (Newport) Development Company Limited	England & Wales	Property Company	Ordinary	100%

The Group does not account for Mutual Vision Technologies Limited as an associated company because the Group does not exercise significant power to participate in financial and operating policies of Mutual Vision Technologies Limited. Mutual Vision Technologies Limited 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 the subsidiary is the same as that of the Society.

12. Derivative Financial Instruments

	Notional Amount	Fair Value Assets	Fair Value Liabilities
	£000	£000	£000
At 30 April 2024			
Derivatives not in hedging relationships	303,500	5,144	(2,760)
Derivatives designated in hedging relationships	760,250	28,389	(2,186)
	1,063,750	**33,533**	**(4,946)**
At 30 April 2023			
Derivatives not in hedging relationships	347,000	2,969	(3,842)
Derivatives designated in hedging relationships	675,000	44,273	(345)
	1,022,000	**47,242**	**(4,187)**

Interest rate swaps are matched to specific issuances of fixed rate retail shares or loans. All hedges are supported by comprehensive hedging documentation in accordance with the requirement in FRS 102 with the adoption of IAS39. The Society utilises derivative instruments for hedging purposes only and no such instruments are used for trading activity or speculative purposes. All fair value hedges in the current and prior years utilise the SONIA reference rate.

13. Intangible Fixed Assets

	Computer Software
Group	£000
Cost	
At 1 May 2023	1,988
At 30 April 2023	**1,988**
Amortisation	
At 1 May 2023	1,597
Charge for the year	170
Disposals	-
At 30 April 2024	**1,767**
Net Book Value	
At 30 April 2024	**221**
At 30 April 2023	391

13. Intangible Fixed Assets (continued)

	Computer Software
Group	£000
Cost	
At 1 May 2022	2,077
Additions	4
Disposals	(93)
At 30 April 2023	**1,988**
Amortisation	
At 1 May 2022	1,473
Charge for the year	207
Disposals	(83)
At 30 April 2023	**1,597**
Net Book Value	
At 30 April 2023	**391**
At 30 April 2022	604

14. Tangible Fixed Assets

	Land & buildings	Office equipment & vehicles	Total
Group	£000	£000	£000
Cost			
At 1 May 2023	9,254	1,157	10,411
Additions	-	26	26
Disposals	(337)	(1)	(338)
At 30 April 2024	**8,917**	**1,182**	**10,099**
Depreciation			
At 1 May 2023	3,734	637	4,371
Charge for the year	330	120	450
Impairment	1,042	-	1,042
Disposals	(170)	-	(170)
At 30 April 2024	**4,936**	**757**	**5,693**
Net book value			
At 30 April 2024	**3,981**	**425**	**4,406**
At 30 April 2023	5,520	520	6,040

14. Tangible Fixed Assets (continued)

	Land & buildings	Office equipment & vehicles	Total
Society	£000	£000	£000
Cost			
At 1 May 2023	7,206	1,149	8,355
Additions	-	26	26
Disposals	(337)	(1)	(338)
At 30 April 2024	**6,869**	**1,174**	**8,043**
Depreciation			
At 1 May 2023	3,096	626	3,722
Charge for the year	274	120	394
Impairment	1,042	-	1,042
Disposals	(170)	-	(170)
At 30 April 2024	**4,242**	**746**	**4,988**
Net book value			
At 30 April 2024	**2,626**	**429**	**3,055**
At 30 April 2023	4,110	523	4,633

During the financial year, an impairment loss of £1,042k was recognised in respect of Land and Buildings held by the Society. Both instances of impairment were identified following external valuations which reported the carrying amount of the assets based on market value to be impaired by amounts of £475k and £567k, respectively.

14. Tangible Fixed Assets (continued)

Group	Land & buildings £000	Office equipment & vehicles £000	Total £000
Cost			
At 1 May 2022	8,233	1,445	9,678
Additions	1,386	456	1,842
Disposals	(365)	(744)	(1,109)
At 30 April 2023	**9,254**	**1,157**	**10,411**
Depreciation			
At 1 May 2022	3,040	1,210	4,250
Charge for the year	287	128	415
Impairment	511	-	511
Disposals	(104)	(701)	(805)
At 30 April 2023	**3,734**	**637**	**4,371**
Net book value			
At 30 April 2023	**5,520**	**520**	**6,040**
At 30 April 2022	5,193	235	5,428

14. Tangible Fixed Assets (continued)

Society	Land & buildings £000	Office equipment & vehicles £000	Total £000
Cost			
At 1 May 2022	6,184	1,393	7,577
Additions	1,386	456	1,842
Disposals	(364)	(700)	(1,064)
At 30 April 2023	**7,206**	**1,149**	**8,355**
Depreciation			
At 1 May 2022	2,422	1,155	3,577
Charge for the year	266	128	394
Impairment	511	-	511
Disposals	(103)	(657)	(760)
At 30 April 2023	**3,096**	**626**	**3,722**
Net book value			
At 30 April 2023	**4,110**	**523**	**4,633**
At 30 April 2022	3,762	238	4,000

15. Shares

	Group and Society	
	2024 £000	2023 £000
Held by individuals	**1,286,946**	**1,168,210**
Shares are repayable from Statement of Financial Position date in the ordinary course of business as follows:		
Accrued interest	8,897	3,831
On demand	703,831	529,625
In not more than three months	85,338	271,328
In more than three months but not more than one year	374,745	163,001
In more than one year but not more than five years	108,584	200,425
In more than five years	5,715	-
	1,287,110	**1,168,210**
Fair value adjustments due to hedged risk	(164)	-
	1,286,946	**1,168,210**

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	
	2024	2023
	£000	£000
Accrued interest	728	522
On Demand	19,602	-
In not more than three months	-	35,397
In more than three months but not more than one year	54,942	351
In more than one year but not more than five years	75,000	119,942
	150,272	**156,212**

Amounts owed to credit institutions includes £115,496k (2023: £115,402k) 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	
	2024	2023
	£000	£000
Accrued interest	765	353
On demand	152,709	134,482
In not more than three months	6,816	49,672
In more than three months but not more than one year	6,052	11,908
In more than one year but not more than five years	807	5,016
	167,149	**201,431**

18. Other Liabilities

	Group		Society	
	2024	2023	2024	2023
	£000	£000	£000	£000
Falling due within one year:				
Loans from subsidiaries on demand	-	-	1,167	718
Corporation tax payable	429	23	409	-
Other creditors	39	587	47	594
	468	**610**	**1,623**	**1,312**

19. Provisions for Liabilities

Group and Society	FSCS Levy	Total
	£000	£000
At 1 May 2023	40	40
Charge for the year	-	-
Amounts utilised	-	-
At 30 April 2024	**40**	**40**

Group and Society	FSCS Levy	Total
	£000	£000
At 1 May 2022	-	-
Charge for the year	40	40
Amounts utilised	-	-
At 30 April 2023	**40**	**40**

Based on its share of protected deposits, the Society pays levies to the FSCS to enable the FSCS to meet claims against it.

20. Information Regarding Directors and Employees

a) Employment

	Group and Society	
	2024	2023
	£000	£000
Costs (excluding Non-Executive Directors):		
Wages and salaries	10,368	8,989
Social security costs	1,081	1,064
Other pension costs	1,486	3,135
	12,935	**13,188**

20. Information Regarding Directors and Employees (continued)
Pension Valuation (continued)

Employees	Group		Society	
	2024	2023	2024	2023
	£000	£000	£000	£000
Average number employed during the year:				
(i) at the Society's Head Office:				
Full-time	203	171	203	171
Part-time	15	16	15	16
(ii) at Branch Offices:				
Full-time	33	35	33	35
Part-time	28	24	28	24
	279	**246**	**279**	**246**

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 Trustees. 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 2022.

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	
	2024	2023
	£000	£000
Present value of funded obligations	13,645	14,734
Fair value of fund assets	(11,044)	(11,244)
Scheme Deficit	**2,601**	**3,490**

20. Information Regarding Directors and Employees (continued)
Pension Valuation (continued)

The amounts recognised in the Statement of Other Comprehensive Income		
	2024	2023
	£000	£000
Actuarial loss on plan assets	(607)	(2,953)
Actuarial gain on defined benefit obligation	1,309	3,481
Total gains	**702**	**528**
Actuarial gain on defined benefit obligation		
Of which due to experience	980	(954)
Of which due to demographic assumptions	-	(224)
Of which due to financial assumptions	329	4,659
Actuarial gain on defined benefit obligation	**1,309**	**3,481**

Changes in the Present Value of the Defined Benefit Obligation:		
	2024	2023
	£000	£000
Liabilities at the beginning of the period	14,734	16,177
Interest cost	696	495
Actuarial gain	(1,309)	(3,481)
Benefits paid	(476)	(415)
Past service cost	-	1,958
Liabilities at the end of the period	**13,645**	**14,734**

20. Information Regarding Directors and Employees (continued) Pension Valuation (continued)

Changes in the Fair Value of Plan Assets:

	2024	2023
	£000	£000
Fair value of plan assets at the beginning of the period	11,244	13,909
Interest income	537	429
Actuarial loss	(607)	(2,953)
Contributions by the employer	346	274
Benefits paid	(476)	(415)
Fair value of plan assets at the end of the period	**11,044**	**11,244**

Analysis of Return on Plan Assets:

	2024	2023
	£000	£000
Interest income	537	429
Actuarial loss on plan assets	(607)	(2,953)
	(70)	**(2,524)**

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.

	2024	2024	2023	2023
	£000	%	£000	%
Equities	5,172	46.8	4,980	44.3
Bonds	4,775	43.2	5,209	46.4
Cash and Net Current Assets	161	1.5	117	1.0
Annuities	936	8.5	938	8.3
	11,044	**100.0**	**11,244**	**100.0**

Amounts Recognised in the Income Statement

	2024	2023
	£000	£000
Net interest cost	159	66
Past service cost	-	1,958
Total pension expense	**159**	**2,024**

Principal Actuarial Assumptions at the Balance Sheet Date:

	2024	2023
	%	%
Discount rate	5.1	4.8
RPI price inflation	3.2	3.0
CPI price inflation	2.7	2.5
Rate of increase in salaries	3.2	3.0
Rate of increase in pensions in payment	3.1	2.9
Male post retirement mortality	S3NMA CMI	S3NMA CMI
	2021	2021
	(1.50%)	(1.50%)
Female post retirement mortality	S3NFA CMI	S3NFA CMI
	2021	2021
	(1.00%)	(1.00%)

The mortality assumptions use the S3NxA base tables, with projected improvements in line with CMI 2021 improvement model, with an assumed long-term trend rate of 1.5% for males and 1.0% for females and using all the CMI default parameters.

Life Expectancies

	2024	2023
	Years	Years
Current pensioners age 60 – males	27.3	27.3
Current pensioners age 60 – females	29.6	29.5
Future pensioners age 60 (currently age 40) – males	29.2	29.1
Future pensioners age 60 (currently age 40) - females	30.7	30.6

21. Capital and other commitments

Capital commitments contracted for but not provided in these accounts were £nil (2023: £nil). The Group has undrawn lending commitments of £54m as at 30 April 2024 (2023: £70m). There are no impairments on these commitments. Credit risk is controlled through the Group's lending policy.

22. Leasing

As Lessee

The Group has the following commitments in respect of non-cancellable operating lease rentals:

	2024	2023
	£000	£000
Less than one year	379	354
Between one and five years	1,498	1,336
Greater than five years	2,432	2,830
	4,309	**4,520**

Total lease expenditure for the year was £507k (2023: £456k).

As Lessor:

The Group acts as lessor for properties under non-cancellable operating leases for the following minimum future lease payments. There are no contingent rents:

	2023	2022
	£000	£000
Less than one year	18	18
Between one and five years	63	72
Greater than five years	-	9
	81	**99**

Total lease income for the year was £18k (2023: £18k).

23. Other Assets

	Group		Society	
	2024	2023	2024	2023
	£000	£000	£000	£000
Deferred Tax	643	706	643	706
Corporation Tax Receivable	-	305	-	305
Other sundry debtors	97	(8)	96	(7)
	740	**1,003**	**739**	**1,004**

24. Analysis of change in net debt

	Group		
	2024	Cashflows	2023
	£000	£000	£000
Cash and cash equivalents:			
Cash in hand	513	(341)	854
Loans and advances to credit institutions	164,522	15,215	149,307
	165,035	**14,874**	**150,161**
Borrowings:			
Amounts owed to credit institutions	(150,272)	5,940	(156,212)
	14,763	**20,814**	**(6,051)**

	Group		
	2022	Cashflows	2021
	£000	£000	£000
Cash and cash equivalents:			
Cash in hand	854	159	695
Loans and advances to credit institutions	149,307	22,990	126,317
	150,161	**23,149**	**127,012**
Borrowings:			
Amounts owed to credit institutions	(156,212)	18,768	(174,980)
	(6,051)	**41,917**	**(47,968)**

25. 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 53.

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:

	2024	2023
	£000	£000
Rent paid to Austin Friars (Newport) Development Company Limited	(60)	(60)

The Group intends to voluntarily wind up the above entity in the near future. More information on this can be found in note 27.

The Society has an investment in Mutual Vision Technologies Limited, who no longer hold a deposit with the Society as at the 30 April 2024 (2023: £1,627k).

Loans to Directors

There was an aggregate of £491k (2023: £507k) 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.

26. Country by Country Reporting

- Name, nature of activities and geographical location: The Society has one subsidiary and operates only in the United Kingdom.
- The principal activities of the Society are noted in the Strategic 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 years ended 30 April 2024 and 30 April 2023.

27. Post Balance Sheet Events

The Group has commenced activities regarding the transfer of assets and payment of a final dividend from Austin Friars (Newport) Development Company Limited ("Austin Friars") to the Society, with the intention of pursuing a voluntary wind up of this subsidiary in the near future.

There is no impact on the carrying value of the assets and liabilities reported by Austin Friars resulting from these activities. There is no impact on the value of the investment in Austin Friars reported by the Society as the value of the investment is expected to be fully recoverable.

The change will have no material impact on the Group's financial position or performance.

Annual Business Statement

1. Statutory Percentages

	Percentages at 30 April 2024	Statutory limit
	%	%
Proportion of business assets not in the form of loans fully secured on residential property (the "lending limit")	6.0	25
Proportion of shares, deposits and debt securities in the form of shares not held by individuals (the "funding limit")	19.8	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 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

	2024	2023
	%	%
As a percentage of shares and borrowings:		
Gross capital	5.32	5.41
Free capital	5.07	5.05
Liquid assets	18.29	17.75
As a percentage of mean total assets:		
Profit after tax	0.14	0.62
Management expenses	1.43	1.46
Cost income ratio	87.81	63.27

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 2022 and 2023 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
J M Bill	Chief Risk Officer	06.07.68	01.08.22
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
E L McKenzie	Chief Operating Officer	12.07.65	01.09.18
J Greenwood	Chief Technology and Operations Officer	05.04.79	23.11.23
M Jones	Non-Executive Director	19.06.58	20.03.24
R D Turner	Asset Manager	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 Children's Springboard Foundation Floreat Education Academy Trust BnkPro Europe Ltd BnkPro Ltd
W J Carroll	Austin Friars (Newport) Development Company Limited
M Evans	Elevate B C Ltd Llansteffan Castle Ltd
D M Gunter	Monmouthshire Building Society Charitable Foundation UK Finance Wales Policy Committee
M Jones	Pobl Group Limited
E L McKenzie	Tended Ltd Brunel Pension Partnership Limited
R D Turner	F M Capital Partners Ltd

Officers Name	Occupation
W J Carroll	Chief Executive Officer
D M Gunter	Chief Operating Officer
S Phillips	Chief Strategy and Transformation Officer
J M Bill	Chief Risk Officer
E Wilkins	Chief Customer Officer
I Evans	Interim Chief Financial Officer

At 30 April 2024, W J Carroll had a service contract which is terminable by the Society by giving 12 months' notice.
D M Gunter and J M Bill had service contracts 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 844400
Branch Offices		
Brecon	6b The Bulwark, LD3 7LB	Tel: 01874 641227
Caerleon Road	183 Caerleon Road, NP19 7HA	Tel: 01633 254891
Cardiff	33-35 Queen Street, Cardiff, CF10 2AG	Tel: 02920 028171
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		
Abertillery	Simon Thompsett Associates Limited 40 Church Street, NP13 1DB	Tel: 01495 211535
Blackwood	UKTS Limited 221 High Street, NP12 1AL	Tel: 01495 220003
Cardiff	Beacon Independent Advice Limited 18 Merthyr Road, Whitchurch, CF14 1DG	Tel: 02920 618989
Clevedon	Newsham Hanson Ltd Edinburgh House, 1-5 Bellevue Road, BS21 7NP	Tel: 01275 878548
Griffithstown	Simon Thompsett Associates Limited 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 Limited 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. Limited 108 High Street, 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, NP15 1BQ	Tel: 01291 673347

Monmouthshire Building Society

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

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