Annual Report & Accounts

YEAR ENDED 30TH APRIL 2023

Monmouthshire Building Society

Helping members, communities and colleagues thrive today and tomorrow

Monmouthshire Building Society

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

Contents

Our 2023 Highlights

£1,618.5m
Total Assets

£9.7m
Profit after tax

£3.8m
Underlying profit before tax*

Over
£7k
contributed to our charity of the year

The Society scored
95%
for Customer Satisfaction

14.2%
Common Equity Tier 1 ratio**

* 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.

Results	2023	2022
Growth		
Total Assets (£ millions)	1,618.5	1,488.2
Total Mortgage Assets (£ millions)	1,291.3	1,201.9
Lending		
Gross New Lending (£ millions)	284.9	247.8
Net Lending (£ millions)	104.2	88.0
Net Interest Margin %	1.79	1.40
Capital		
Common Equity Tier 1 ratio**	14.2	14.1
Profitability		
Profit After Tax (£ millions)	9.7	7.8
Profit After Tax Ratio (% mean total assets)	0.62	0.54
Management Expenses Ratio (% mean total assets)	1.46	1.10
Cost Income Ratio (%) Pre-Fair Value gains	82.0	77.7
Cost Income Ratio (%) Post-Fair Value gains	63.3	63.7

Chair's Introduction and Review

I am delighted to report that in my first year as Chair of Monmouthshire Building Society, your Society has performed strongly amidst continued challenging macroeconomic conditions. Our 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 has led to the Society delivering strong performance for all of its stakeholders.

Strategic delivery through continuing economic uncertainty

The impact of the global Covid-19 pandemic has caused significant uncertainty in financial markets over recent years. The aftermath of the pandemic, combined with the inflationary pressures resulting from the war in Ukraine has resulted in further economic pressures, leading to the Bank of England raising interest rates 10 times to 4.5% since the last year-end, the highest level since before the financial crisis of 2008. The high levels of cost pressures facing households has caused a cost of living crisis in the UK that has impacted us all, but in particular those who are most vulnerable in our communities who survive on lower incomes.

The Society has adapted quickly to these economic conditions, ensuring continued support for members, colleagues and communities through this difficult time. We have continued to implement our five-year strategic plan, investing in the business to ensure its future sustainability. While our strategy remains relevant, the economic uncertainty has led to the decision to reprioritise some key strategic initiatives.

Further detail on the Society's strategy is detailed in the Strategic Report on page 8.

Clear prioritisation and focus on our members

As a mutual organisation, we seek to balance the interests of our savings and mortgage members. Interest rate increases impact upon the ability to pay of those mortgage borrowers who are on a variable rate or nearing the end of their fixed rate mortgage term and facing increases in their monthly payments. The Society sought to soften the blow to these members by only passing on 2% of bank rate increases to its standard variable rate during the year.

We also understand that the impact of higher mortgage rates could lead to financial difficulties for some and we have increased our 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. At present, 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 18), with only 0.35% (2022: 0.32%) greater than three months in arrears. However, we will continue to monitor the impact on our members of rising interest rates and high inflation and respond with appropriate service and financial provisions.

While we have tried to minimise the impact of bank rate increases for our lending borrowers, we have also sought to increase returns for our savings members, protecting their interests. We have increased our savings rates across our range throughout the year, providing much needed returns to our existing loyal savers and attracting many new members to the organisation after a long period of historically low savings rates.

As a result of our member led focus, the Society has continued to grow successfully with mortgage book growth of 7.4% to £1.29bn (2022: £1.20bn), funded by retail shares growth of 17.0% in the year to £1.17bn (2022: £1.00bn). Retail deposits now fund 90% of the Society's mortgage book (2022: 83%). Retail funding growth was offset by £58m repayment of wholesale and other deposit funding. The balance now stands at £357m (2022: £415m).

As we have outlined in our strategy, we plan to continue to support the communities in which we operate by increasing our branch footprint over the coming years, alongside the development of our digital capabilities. We were delighted to open a new flagship branch and administration hub in the centre of Cardiff in October 2022, building on the success of our Brecon branch that was opened in 2021.

In December 2021, we announced that the Society is working with Welsh Government to develop the aspiration of the Banc Cambria community banking model across Wales, building further on the Society's vision of becoming a modern mutual and supporting the communities of Wales. Due to the current economic uncertainty in the marketplace, plans for this project are currently paused, until such time that launch of the community banking model will be safe and sustainable. Further information on the project can be found on the Society's website at www.monbs.com.

Communities

The Society's communities are made up of those areas within our heartland of South Wales, Powys and border counties. The Society seeks to support the communities in which it serves in many ways. Environmental, social and governance initiatives flow through our strategy and create significant engagement, supporting the Society's overarching strategic purpose. 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 50 community groups, charities and organisations of £45k (2022: £21k).

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.

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.

The Society has launched an agile working strategy, providing equipment to colleagues to support remote working and reconsidering its office working environment to ensure that we can improve collaboration and provide facilities that are conducive to the modern mutual we aspire to be. During the financial year, our administration hub in Cardiff was opened and our Newport Head Office was refurbished to accommodate this new working style. Both offices offer fantastic, modern facilities for our colleagues in support of this strategy.

Our Board

Julian Bill was appointed to the Board as an Executive Director on 1 August 2022. Julian is Chief Risk Officer at the Society and is responsible for Risk, Compliance and Governance within the Society. Julian's profile is included on page 22 and he will be up for election at our Annual General Meeting (AGM) on August 23 2023.

Tony Morgan will be retiring from the Board following the AGM. Tony has been a Board member at the Society since 2013 and has previously served as Vice-Chairman and Chair of the Audit Committee as well as on the Remuneration Committee. Tony has served the Society through a significant period of change and transformation and I would like to thank him for his significant contribution during that time.

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, understanding and patience through some difficult times.

R Turner

Chair, 21 July 2023

Strategic Report

The past year has seen significant political uncertainty in the UK which has impacted on the markets in which the Society operates. Stresses in financial markets following the 'mini-budget' created volatility in the mortgage market, which had a direct impact on the cost of credit for homeowners. House prices reached a peak in the summer of 2022 and have subsequently declined, albeit only to the levels of April 2022. Retail energy prices remain at high levels driven by the ongoing Russian aggression in Ukraine, but falling wholesale energy prices create the hope of a welcome return to more normal conditions in 2023. Interest rates have continued to rise since the year-end but financial markets predict that interest rates are now nearing their peak and inflation is falling, albeit from very high levels and at a slower pace than originally forecast.

The economic outlook remains uncertain, although there are grounds for cautious optimism with the latest economic growth projections being less pessimistic than those of late 2022 and unemployment remaining low.

Moving Forward with Purpose

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

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

Our Purpose

The Society was founded as a mutual building society over 150 years ago, building solutions that meet members' needs. The Society does not have shareholders to satisfy, so is free to re-invest profit to benefit current and future members.

That's what being mutual is all about.

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

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

Our Business Model

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

The Society sources funding from:

- Members' Savings.

The Society lends to:

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

The Society earns income through:

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

The Society uses its income to:

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

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

Our Products

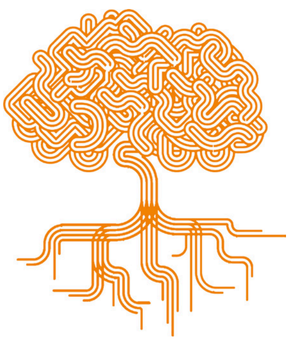
The Society operates a simple business model – it provides savings and mortgage products which offer good value and are easy to understand. The Society prides itself on creating products that are simple and transparent. Our Customer Experience Forum provides oversight on the effectiveness of our products to ensure that we achieve positive outcomes for our members.

Our Service

Through its member-led strategy, the Society is building solutions to address members' needs. Delivering member-led propositions is a key factor that supports the Society's growth ambitions. Member feedback highlights the Society's success in delivering value and service to its members with 98% of members surveyed saying that they would use the Society again and 94% stating that they would recommend the Society to family and friends.

Our Strategic Focus

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


Community


Personal


Dynamic


Quality

The Society's strategy aims to achieve its ambitions through:

Resilience in Operations
Ensuring the services provided to members are resilient to disruption.

Digitally Enabled
Embracing digital transformation to deliver services to members via their channel of choice.

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

Agile Working
Focusing on colleagues, ensuring the Society offers a modern, flexible approach to how colleagues work and interact with each other, at all times ensuring the Society delivers a personal, quality service to members.

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

The Society has continued to make fantastic progress against its strategy and 5-year plan during the year. Further details of the significant achievements for members and colleagues, alongside the Society's financial performance and efforts to make a positive impact on the environment, are summarised on page 11.

Our Members & Communities

The Society continues to deliver against its commitment to help members, colleagues and communities thrive. Once again, the Society remains predominantly retail funded, and its strategy will ensure this remains the case. This year has been challenging for members facing an ongoing cost of living crisis, rising inflation and interest rate increases. The Society recognises that whilst interest rate increases are welcomed by savers, they can be challenging for mortgage members.

The Society has passed on rate increase benefit to savers 6 times during the financial year, responding speedily following Bank of England announcements in ensuring benefits were passed to savings members. Retail funding and other deposits inflow was £116m (2022: £101m) for the year, with a significant increase in loyal members welcoming the increases to savings rates. Supporting its loyal savers has been a priority and the Society is proud to be able to reward its membership.

Recognising the challenges a rising rate environment presents to mortgage members, the Society has protected members from rate increases by not increasing in line with bank rate changes and delaying implementation of increases to members. This financial year saw 10 increases to the bank rate which at year end had reached 4.25%; the Society only passed on 3 increases during the year representing a total increase in its standard variable rate of 2%.

This year saw the Society recognised as being an Outstanding Mortgage Product provider and Regional Lending Provider of the year by Moneyfacts.

The Society takes its role as a responsible business seriously and has continued to look for opportunities to strengthen community foundations that have been laid in recent years. A number of new initiatives were launched in the year deepening community engagement. Colleagues have been instrumental in this success to date, giving their own time, and using the paid time from the Society, to volunteer and support local organisations.

Cardiff Branch

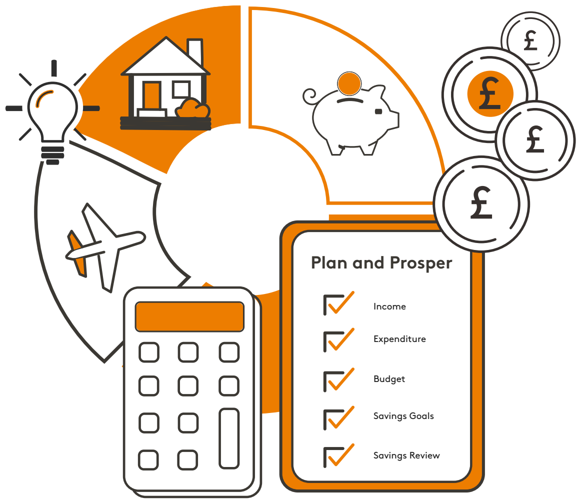
The Society proudly opened its second flagship branch in the capital city in October 2022. The branch offers a fantastic space for engagement and a modern and exciting environment for new and existing members to thrive. The location enables branch colleagues to offer space for community engagement and colleagues have already supported a number of local community groups offering them meeting suites and space to collaborate.

Branching into Communities

Now in its second year, Society grassroots branch sponsorship supported a brilliant **26** community initiatives.

Branch colleagues have built strong relationships with 'Tarian, Regional Organised Crime Unit', working with the Welsh police force to help members to understand and protect themselves against fraud. The initiative has been trialled in city branches and will continue to evolve, adding value and educating members to combat the issue of fraud.

The Society increased its support to members, the general public and local community groups through its launch of 'budgeting buddy', a service launched to help members understand their personal finances and the principles of budgeting. This important initiative will evolve and its remit broaden to add even more member value and to support people from all walks of life to understand financial decision making.



Colleagues in the Community

The Society's 'Colleagues in the Community' initiative provides two full days of paid volunteering per year to employees and continued to grow through the year with more community groups than ever being supported.

This year saw more than 1,500 hours of colleague time being donated to community causes.

Monmouthshire Building Society
Charitable Foundation

The Monmouthshire Building Society Charitable Foundation was founded in 2000 to support local community groups, organisations and good causes across south Wales and the south west of England.

The primary purpose of the foundation is to provide modest donations that will have a positive impact on the lives of disadvantaged or vulnerable people in its communities. Since 2000, the Charitable Foundation has contributed more than £350k to over 350 local charities and organisations. This year saw a record number of requests for support as well as a record number of donations made.

Our Colleagues

Key to achieving the strategy is the ongoing development and support of the Society's colleagues and inclusive culture, which encourages the core values of the Society to be central to all business activities. Adapting to new, more flexible ways of working as a result of the pandemic has led to the creation of an agile culture that is supported through the creation of new office space within the centre of Cardiff and a refurbishment of the operational areas of the Society's head office in Newport that now compliment the home working options for colleagues. The Society recognises the importance of remaining flexible and adaptable to further changes and aims to achieve a unique, dynamic, inclusive working culture that serves to attract the best talent and retain existing colleagues to create an environment which rewards achievement and fosters success.

Driving colleague recruitment and recognition

Attracting and retaining colleagues to help the Society deliver its strategy is challenging in the continued candidate driven employment market. In response, the Society has invested further in both the employer brand and its approach to rewards and recognition for colleagues. These investments have been integral in ensuring current and future colleagues experience and enjoy the benefits of working for a modern mutual.

Colleague Wellbeing

Supporting colleagues' work life balance through the adoption of agile working is just one element of a successful wellbeing programme for Society colleagues. As at the year end the Society had 52 colleagues trained as mental health first aiders, launched its menopause café to support and educate colleagues and introduced wellbeing companions to surface new and innovative future initiatives.

To ensure the Society maintains an appropriate focus on supporting its people, a recent refresh of the Society's people strategy has been undertaken. Building upon the foundation the Society has created over the past few years and the significant successes achieved throughout the pandemic and beyond, the refreshed strategy focuses on five pillars.

Attract & Recruit
Finding and hiring top talent through effective sourcing and onboarding processes.

Develop & Train
Providing colleagues with the skills and knowledge to excel in their roles.

Performance Management
Regularly evaluating colleague performance. Setting expectations giving feedback.

Retain & Engage
Creating a positive and productive workplace that fosters engagement, satisfaction and motivation.

Diversity & Inclusion
Promoting a culture that values and leverages the unique perspectives, backgrounds and experience of colleagues.

The Society's people strategy extends across the full employee lifecycle, from the experience a potential new colleague has at interview, to their onboarding and engagement ahead of starting with the Society, right through years one, three, five and beyond, and finally creating a positive offboarding experience as colleagues exit.

The Environment

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

Regulatory Focus on Climate Change

During the year:

- The Society continues to embed a Climate Risk Framework detailing the approach to managing climate risk.
- Climate risk has been included within the Society's Enterprise Risk Management Framework, (ERMF) to ensure that risks are appropriately identified and managed.
- Scenario analysis and stress testing of the mortgage book has been undertaken to quantify the impact of physical and transitional risks as a result of climate change.

Strategic focus on Climate Change

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

Progress Made:

- The Society extended its range of Energy Efficient Home Purchase and Remortgage products which 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.
- A pilot scheme was launched to support members to decarbonise their homes. Utilising the opportunity as founding partner on a project to consider Optimised Retrofit solutions for existing home owners, the Society has gathered insight in relation to the path members may take to retrofit their homes by undertaking a specialised survey. The survey identified This uses a combination of improvements, low/zero carbon technologies, and intelligent ongoing operational controls, to take that home to its lowest achievable carbon footprint. The Society will build on its proposition, using insight gathered through its pilot activities to ensure new propositions are tailored to different member needs.
- To help the Society make even more of a difference to the places in which members and colleagues live and work, a Social Responsibility Panel has been created. The Social Responsibility Panel engages colleagues across the organisation to support local initiatives, share experiences and identify opportunities for change, all of which have a positive impact on the environment and communities. The panel also supports adoption and absorption of the outcomes delivered from the Society's green finance and branching into communities projects. The role of the panel is to embed these changes and bring to life the positive impacts these initiatives are delivering.

Emissions

The Society is committed to measuring and reducing its energy consumption and carbon footprint as evidenced by the reduction in its Scope 1 & 2 emissions of 69% between the 2022 and 2023 reporting period, far exceeding the strategic goal of 10%. To continue with its commitment to reducing the carbon footprint, as of 30 April 2023 the Society has fully measured Scope 1, 2 and 3 emissions. Calculation of Scope 3 emissions is new in the year; Scope 3 emissions are defined as all other indirect emissions that occur within the Society's value chain, including purchased goods and services, employee commuting, investments and waste disposal.

The Society will use these findings to drive meaningful climate action to meet its 2024 strategic goal of achieving a further 20% reduction, now measured across the three scope areas. This includes finding ways to continuously reduce emissions as well as considering ways in which to offset any emissions that cannot be immediately reduced.

Scope	Description	tCarbon as tCO2e* 2022/23	tCarbon as tCO2e* 2021/22
Scope 1 Direct emissions	Emissions directly made by the Society – company cars and company facilities.	5.38	202.16
Scope 2 Indirect emissions	Emissions indirectly made by the Society – purchased electricity.	80.48	78.33
Scope 3 Indirect emissions	All other indirect emissions within the Society's value chain.	558.23	Not available
	Total	644.09	280.49

* Tonnes (t) of Carbon dioxide (CO_2) equivalent €

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	2023	2022	Description
Growth	Total assets (£m)	£1,618.5	£1,488.2	Total assets of the Society, comprised primarily of mortgage assets.
Growth	Total Mortgage assets (£m)	£1,291.3	£1,201.9	Mortgage assets represent loans to the Society's members.
Lending	Gross new lending (£m)	£284.9	£247.8	The total value of new loans to the Society's members over the past year.
Lending	Net lending (£m)	£104.2	£88.0	The net value of lending for the year, comprised of gross new lending less mortgage capital repayments and redemptions in the year.
Lending	Net interest margin %	1.79%	1.40%	Net interest receivable for the year as a % of mean total assets.
Capital	Total Reserves (£m)	£82.5	£72.5	The accumulated profits of the Society since inception over 150 years ago.
Capital	Common Equity Tier 1 capital (£m)**	£81.7	£71.5	Common Equity Tier 1 capital (the highest quality form of capital) consists of statutory capital (total reserves) less intangible assets.
Capital	Common Equity Tier 1 ratio (% of risk-weighted assets)**	14.2%	14.1%	Common Equity Tier 1 capital as a percentage of risk-weighted assets.

	Results	2023	2022	Description
Profitability	Underlying profit before tax (£m)*	£3.8	£5.2	The profit for the year, excluding fair value gains for derivative instruments.
	Gain on fair value adjustments (£m)	£8.2	£4.5	The fair value gain on adjustments for derivative instruments.
	Profit after tax (£m)	£9.7	£7.8	The profit for the year after taking account of taxes.
	Profit after tax ratio (% of mean total assets)	0.62%	0.54%	The ratio of profit after tax to mean total assets.
	Management expense ratio (% of mean total assets)	1.46%	1.10%	The ratio of administrative expenses, depreciation and amortisation to mean total assets.
	Cost / income ratio (%) pre-fair value gains	82.0%	77.7%	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	63.3%	63.7%	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.

Growth

The Society's balance sheet grew by 8.7% (2022: 7.4%) to £1.62bn (2022: £1.49bn) 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 line with its strategy. Liquidity remained broadly consistent with the prior year at 17.8% of shares and deposit liabilities (2022: 18.1%).

Lending

The Society grew its lending book by 7.4% (2022: 5.8%) to £1.29bn (2022: £1.20bn) with net lending of £104.2m (2022: £88.0m).

Loan loss provisions have increased in the year. While arrears experience has remained low (see Directors' Report on page 18), 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 which has led to an increase in provisioning charges. At the year-end, provisions were assessed as £1.6m (2022: £0.9m), with a charge of £1.1m (2022: £0.7m credit) 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 its balance sheet is safe, secure and fit for purpose for both the regulatory environment of today and that of the future. The Society has sufficient levels of capital above its regulatory requirements, a solid foundation to achieve the planned levels of growth for the remainder of the current strategic plan. The Society's capital reserves stood at £82.1m (2022: £72.1 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 14.2% at the end of the year (2022: 14.1%); its solvency ratio (the ratio of total regulatory capital to risk weighted assets) was 14.3% (2022: 14.2%). The Society complied with its Total Capital Requirement (TCR) plus capital buffers, as notified by the Prudential Regulation Authority, throughout the financial year.

Uncertainty remains in relation to the Society's defined pension scheme liability. This uncertainty arose following a legal review of the enactment of historic changes to the rules of the scheme, instigated by the Society as part of the closure of the scheme to future accrual, and a solution to this issue is currently being pursued by the Society with legal support. However, this will not impact on the long-term sustainability of the organisation. Further details can be found in note 26 to the financial statements.

Profitability

The Society generated a robust statutory profit before tax for the year of £12.0m (2022: £9.6m) and underlying profit before tax of £3.8m (2022: £5.2m). Net interest margin increased to 1.79% (2022: 1.40%) driven by the impact of the higher interest rate environment across the balance sheet, but in particular on the income derived from the Society's derivative instruments and liquid assets.

The Society's administration expenses ratio increased in the year to 1.46% (2022: 1.10%) as a direct result of increasing employee costs as headcount increased to support strategic delivery and growth.

Another significant driver of statutory profitability in the year was fair value gains, with income of £8.2m (2022: £4.5m). The majority of this amount relates to the movement in fair values of swaps between inception and designation into a hedging relationship, and hedges remain highly effective. This gain is expected to reverse in future years through the mechanism of hedge accounting.

The Future

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

New challenges lie ahead in the coming years as the world adapts to higher interest rates, continued geopolitical uncertainty and the ongoing cost of living crisis. The Society will continue to support its members, colleagues and communities through difficult times as it has done for more than 150 years. As a mutual organisation, we will continue to balance the needs of all of our members to ensure that we grow sustainably into the future. We will continue to invest in our people, systems, products and services to ensure we meet the ever-changing needs of our diverse membership.

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

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

William Carroll

Chief Executive

21 July 2023

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.

Non-Executive Directors

Roger Turner
Chair, Non-Executive Director

Elected in 2015, Chair since 2022.
(Independent)

C

Roger has some 31 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.

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.

Tony Morgan
Non-Executive Director

Elected in 2013.
(Independent)

Tony previously worked for PricewaterhouseCoopers (PwC) as Senior Partner in Wales and Deputy Chairman of the Wales and West Region. During his career, he was based in Cardiff, London and Sydney, where he carried out a wide range of accountancy, audit, investigation and governance assignments for PwC clients in the UK and overseas.

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

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

Tony joined the Board because of the Society's mutual ethos and values that have served the community well for over 150 years.

Please note, Tony is retiring from the board following the AGM and is not offering himself up for re-election.

Committee Key

Audit Risk Nominations Remuneration

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

Trevor Barratt
Non-Executive Director

Elected in 2016
(Independent)

C

Trevor has over 25 years' experience as a senior executive in governance and risk management, with the majority of this time spent in mainstream retail and commercial banking.

For several years he was the Head of Strategic Risk for Lloyds 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.

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

Elected in 2018
(Independent)

C

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

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

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

Non-Executive Directors

Marian Evans
Non-Executive Director and Senior Independent Director from 2022

Elected in 2021.
(Independent)

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.

An experienced NED and board advisor Marian is a former Director of Thomas Carroll Group and Sales Manager at NFU Mutual. Marian is also an ambassador for Women on Board UK. Marian owns a successful consultancy business and property partnership.

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

Colin Brereton
Non-Executive Director

Elected in 2022
(Independent)

C

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 Chairman at BnkPro Limited and BnkPro (Europe) Limited, two Electronic Money Institutions; Audit Committee Chairman at Royal National Children's Springboard Foundation; Deputy Chairman at Floreat Education; and a Trustee and Audit Committee member of Farm Africa.

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

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

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

Executive Directors

William Carroll
Chief Executive Officer

Dawn Gunter
Chief Operating Officer

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

Will previously worked for Deloitte and was involved with a wide range of audit work in a variety of different industry sectors. He has been with the Society for over 18 years and in that time has been responsible for various departments including Finance, Treasury, Customer Services and Arrears.

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

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

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.

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.

Executive Directors

Tom Leach
Chief Finance Officer

Julian Bill
Chief Risk Officer
(from August 2022)

Tom has held a variety of senior and strategic positions in financial services organisations. He trained as a Chartered Accountant with Deloitte, achieving the role of audit manager specialising in financial services audit. He subsequently moved to Principality Building Society where he held a number of roles including Head of Finance Change and Head of Group Reporting and Control, before ultimately moving into the role of Group Financial Controller. In 2018 Tom joined Bath Building Society as Finance Director, with responsibility for both Finance and IT teams. He joined Monmouthshire Building Society in July 2022 as Chief Finance Officer.

Tom is a Fellow of the Institute of Chartered Accountants and holds a BSc (Hons) in Mathematics from Imperial College London. He is currently studying for an Executive MBA, also at Imperial College London.

Tom is proud to be part of the Society's long history of supporting its members and communities, playing his part in delivering on its purpose-led, innovative and forward thinking strategy to become a modern mutual.

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.

Julian has been a non-executive director of POBL Housing Group since 2014, where he chairs the Audit and Risk Committee. 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 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.

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 64 to 73, 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

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

Each of the persons who is a Director at the date of approval of this report confirms that, so far as they are aware, there is no relevant audit information of which the 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 £12.0m (2022: £9.6m). Profit after tax transferred to reserves was £9.7m (2022: £7.8m).

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 2023 was 14.2%, (2022: 14.1%).

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 2023 there were 130 mortgage loans (2022: 95) one month or more in arrears, with total amount outstanding of £0.4m and a total balance of £19.8m including 14 mortgage loans (2022: 17) with outstanding payments twelve months or more in arrears, with total amounts outstanding of £0.2m and balances of £1.7m.

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 17.

KPIs

Details of the Society's KPIs can be found in the highlights on page 4 and Strategic Report on pages 8 to 17.

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 54 to 63.

Political Donations and Gifts

The Society has not made any political gifts or donations in the year to 30 April 2023 (2022: £nil).

Financial Instruments

The Society's use of financial instruments is contained in the Society's Accounting Policy Section on page 79.

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

Charitable Donations

A total of over £7.5k 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 £44k (2022: £21k) to 50 great causes during the year.

Monmouthshire Building Society
Charitable Foundation

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 have assessed the viability of the Society over a three-year period taking into account the business strategy and the principal risks as set out in the Strategic Report and the Risk Management Report. The Directors have a reasonable expectation that the business can continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. The Directors have determined that a three-year period of assessment is an appropriate period over which to provide its viability statement. The three-year period is considered to be most appropriate as it is the longest period over which the Board considers that it can form a reasonable view of the likely macroeconomic environment and associated key drivers of business performance. As part of the annual 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 2022 ICAAP and ILAAP 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, the cost-of-living crisis and rising interest rates has caused significant 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 three years.

Directors

The details of the Directors are shown on pages 18 to 22. In accordance with corporate governance best practice, all Directors will offer themselves for re-election. Julian Bill, having been appointed in the year, will stand for election.

Signed on behalf of the Board

Roger Turner

Chair

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 best governance practices 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. This 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 on the Code on Board's promoting long-term sustainable success supports the Society's mutual ethos.

Board Leadership and Company Purpose

The Role of the Board

The Board of Directors is chaired by Roger Turner, an independent Non-Executive who provides strong, ethical and visible leadership. The Board also comprises five other independent Non-Executive Directors and four Executive Directors.

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

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

The Board ensures that the necessary resources are in place for the Society to meet its objectives and measures performance against them. The Board has established a framework of prudent and effective controls, which enable risk to be assessed and managed. More information on this framework can be found within the Risk Committee Report on page 54.

Strategy

The Society's Board is collectively responsible for the long-term success of the organisation. Its principal function is to determine the strategy and policies of the Society within an effective control framework which enables risk to be assessed and managed. Details of the Society's strategy, and progress against it in the current financial year, can be found within the Strategic Report on pages 8-17.

Culture

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

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

The Society's people strategy outlines the vision, aims and activities to be undertaken in relation to culture. Regular updates are provided to the Board on feedback from colleagues (gathered through colleague surveys) as well as cultural insights such as employee turnover and any work-related absences. The Board assesses and monitors culture through these updates and regular reports from HR, Risk & Compliance, Internal Audit and External Audit. These reports include conduct matters and quality assurance reviews which provide information to assist the Board in monitoring the culture within the Society.

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

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

The AGM and other communications with members provide the opportunity for members to give feedback to the Society on any aspect of its activities. Members are given the opportunity to submit questions to the Society in advance or to ask them in person on the day of the AGM.

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

Engaging Stakeholders

The Society recognises the importance of the views and interests of its key stakeholders and the impact they have on the achievement of purpose and strategy. It seeks positive and active engagement with all of those holding an interest in the Society's activities.

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

The Board has identified the Society's engagement with key stakeholders and details are provided below:

Members	
• Annual General Meeting.	• Customer surveys & complaints procedures.
• Member Research Panel.	• Customer newsletters and communications.
• Social media.	• Budgeting Buddy.
• Branch & agency visits.	
Colleagues	
• Town Hall Meetings.	• Colleague recognition awards.
• Monthly executive briefing.	• Annual colleague celebration.
• Colleague forum.	• Branch & agency visits.
• Colleague surveys.	• Internal communications.
	• CEO 'Meet the Team' meetings.
Intermediaries and suppliers	
• Intermediary portal.	• Internal and External Audit Reports.
• Mortgage networks.	• Third Party Framework and Supplier Management Policy.
• Attendance at industry events.	• Service level agreements.
• Society events.	• Supplier conferences and workshops.
• Broker forum & feedback.	
• Panel Management.	

Trade Bodies and Welsh Government	
• Open dialogue and transparent communications with regular correspondence and meetings. • Participation and input into industry events. • Responses and input into consultations impacting the sector.	
Communities	
• Local schools, students and educational events. • Branching into Communities initiative. • Colleague in the Community volunteering. • Charitable Foundation.	• Supporting Shelter Cymru as the Society's charity of the year. • Maintaining a high street presence across our core operating area. • Social Responsibility Panel.
Regulators	
• Open dialogue and transparent communications with regular correspondence and meetings. • Regulatory returns and reporting. • Regulatory audits of key areas of risk facing the sector. • Annual visits and questionnaires. • Input into regulatory consultations affecting the Society.	

Section 172(1) Statement

The Directors have acted 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:

- Understand the concerns of the workforce and other stakeholders;
- Articulate those views and concerns in Board meetings;
- Ensure 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
- Provide 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 Introduction and Review on pages 6 to 7 and the Strategic Report on pages 8 to 17 and included:

- 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.
- Improving the Society's Operational Resilience helping to ensure that the services to our members are free from disruption.
- Environmental Social and Governance (ESG) initiatives that were implemented through understanding the views of our stakeholders in relation to our ESG Strategy, including for example a focus on the regulatory and social aspects of climate change.
- Preparation of a revised Society-wide people strategy, in particular driving colleague recruitment and retention activity and the implementation of a number of colleague wellbeing activities.
- Supporting the communities in which we operate through the extension of its branch and administration presence into Cardiff, 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

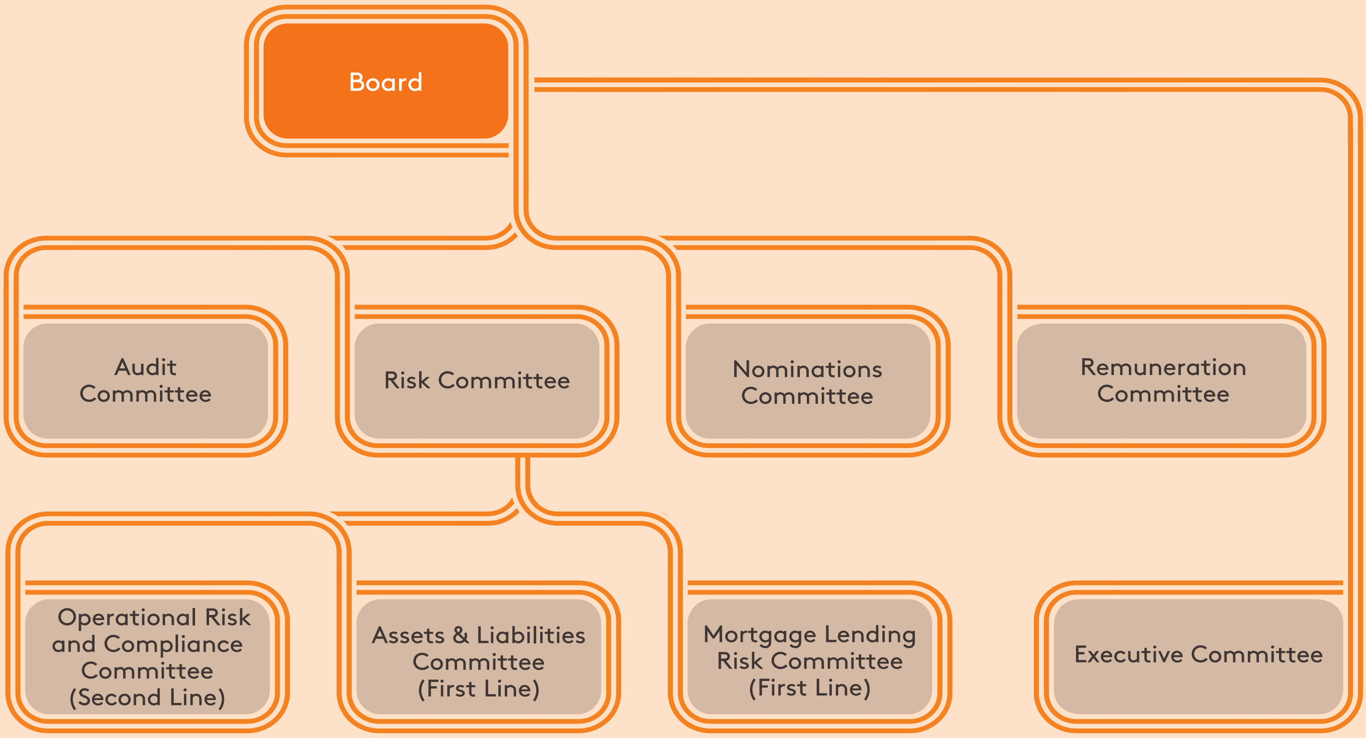
In making decisions to ensure the long-term success of the Society for the benefit of its members, the Board balances the needs of savings and borrowing members. The Board has extensively reviewed the Society's assessment of Capital and Liquidity requirements to ensure the ongoing financial soundness 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.

The Role of the Board Committees

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

The Executive Committee

Responsibility for the day-to-day management of the business and the implementation of the strategies and policies agreed by the Board has been delegated to the Chief Executive who is supported by the Executive team. The Executive Team comprises William Carroll (Chief Executive), Dawn Gunter (Chief Operating Officer), Tom Leach (Chief Financial Officer), Julian Bill (Chief Risk Officer), Mandy Garrett (Chief Technology & Innovation Officer), Eve Wilkins (Chief Customer Officer) and Steven Phillips (Community Bank Programme Director).



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

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

In addition to the Board Committees there are three management committees, which report into the Risk Committee (as illustrated on page 56), and the Executive Committee.

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

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

The Executive Committee reports to the Board, at each Board meeting, in the form of business reports from the CEO and the Executive team and the review of strategy.

Workforce Policies and Practices

The Board ensures that workforce policies and practices are consistent with the Society's values and support its long-term sustainable success. The workforce is able to raise any matters of concern in confidence and anonymously. The Board receives an annual report on the reports arising from its operation and ensures that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action if needed. Trevor Barratt, Chair of the Risk Committee, is the Society's whistleblowing champion. This forms part of the Society's 'Speak Up' arrangements. Employee wellbeing is a key focus, and the Society provides support to employees in several ways. These include access to an Employee Assistance Programme which offers confidential counselling and advice on a wide range of work and personal issues. There is also access to the 52 trained mental health first aiders in the Society.

Division of Responsibilities

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

Role	Responsibilities
Chair Roger Turner	The Chair is responsible for leading and managing the work of the Board. This is done by setting the Board's agenda and ensuring adequate time is available for discussion of agenda items, demonstrating objective judgement within a culture of openness and debate by facilitating contributions by the Non-Executive Directors at meetings and ensuring constructive relations between the Executive and Non-Executive Directors. The Chair is responsible for promoting good governance and leading the development of the Society's culture. The Chair holds meetings with the Non-Executive Directors without the Executive Directors present. The role of Chair also includes: • Retaining overall responsibility for the leadership of the Board and ensuring its effectiveness. • Leading the annual Board evaluation, with support from the Senior Independent Director as appropriate, and acting on the results. • Setting the Board's agenda and ensuring adequate time for discussion of all agenda items. • Encouraging all Board members to engage in Board and Committee meetings by drawing on their skills, experience and knowledge. • Ensuring that Board composition and succession is regularly reviewed regarding skills and numbers. • Ensuring the Directors receive timely and relevant information. • Overseeing the assessment of fitness and propriety of those Non-Executive Directors who are not in scope of the Senior Managers and Certification Regime (The Senior Managers and Certification Regime documents regulatory expectations on accountability and governance in relation to individuals who hold key roles and responsibilities in relevant firms) and the related notification requirements to the PRA.
Senior Independent Director (SID) Marian Evans	The SID is expected to support the Chair in the delivery of their objectives and lead the evaluation of the Chair on behalf of the other Directors. Their responsibilities include: • To act as the designated Director to engage with the Society's workforce. • Be available to Society members if they have concerns which contact through the normal channels of Chair or CEO has failed to resolve or for which such contact is inappropriate. • Maintain a balanced understanding of member issues and concerns and support the Chair in ensuring the Board are aware of the views of members. • Provide a sounding board for the Chair and to serve as an intermediary for the other Directors where necessary.

Senior Independent Director (SID) Marian Evans	• Conduct the Chair's annual appraisal. • Be the focal point for Board members for any concerns regarding the Chair or the relationship between the Chair and the CEO. • Act as a trusted intermediary for Non-Executive Directors where this is required to help them challenge and contribute effectively. • Take the initiative with the Chair or other Board members if it should seem that the Board is not functioning effectively. • During periods where the Board is under significant stress, work with the Chair and other Directors to resolve significant issues.
Non-Executive Directors Trevor Barratt Colin Brereton Marian Evans Liz McKenzie Tony Morgan Roger Turner	Non-Executive Directors provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. All Non-Executive Directors have sufficient time to meet their Board responsibilities at the Society. Their principal responsibilities include: • Appointing and removing Executive Directors. • Scrutinising and holding to account the performance of management and individual Executive Directors against agreed performance objectives. • Bringing objectivity and independence of view to Board deliberations. • Constructively challenging and helping develop proposals on strategy. • Helping provide effective leadership in relation to the Society's strategy, performance and risk management. • Monitoring the continuing effectiveness of the Board, its Committees and the Executive management team. • Ensuring high standards of probity and corporate governance.
Chief Executive Officer William Carroll	• Responsible for the day to day running of the business. • Accountable to the Board for the performance of the Society. In addition, other principal responsibilities, applicable to all Executive Directors, are listed below.
Executive Directors Julian Bill Dawn Gunter Tom Leach William Carroll	• Discharging their personal responsibilities under the Senior Managers and Certification Regime for the areas they are accountable for. • Creating and articulating the vision of the future. • Providing clear business and cultural leadership. • Leading the delivery of the Society's strategy. • Ensuring the Society operates ethically.

Independence of Non-Executive Directors

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

Board Reporting and Attendance

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

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

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

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

	Risk	Audit	Remuneration	Nomination
Debra Lewis (Chair)			Member (retired August 2022)	Chair (retired August 2022)
Tony Morgan		Member (Chair until August 2022)	Member	
Trevor Barratt	Chair	Member		
Roger Turner	Member (until August 2022		Member (from January 2023)	Member (Chair from August 2022)
Liz McKenzie	Member (from August 2022)	Member (until August 2022)	Chair	Member
William Carroll				Member
Marian Evans	Member		Member	Member (from August 2022)
Colin Brereton	Member (from August 2022)	Chair (from November 2022 and member prior to that)		

All Directors are expected to attend Board meetings. In the event of circumstances that prevent a Director from attending a meeting the Chair makes sure that any views are passed on and are heard in the meeting. Attendance at Board and Committee meetings for the year to 30 April 2023 has been recorded as set out in the following table.

Board Committee attendance during the year:

	Number of Meetings	Meetings attended (meeting eligible to) attend)
Trevor Barratt	10	10 (10)
Julian Bill	10	8 (8)
Colin Brereton	10	10(10)
William Carroll	10	9 (10)
Dawn Gunter	10	10 (10)
Marian Evans	10	10 (10)
Tom Leach	10	8(8)
Debra Lewis (retired August 2022)	10	2 (2)
Liz McKenzie	10	10 (10)
Tony Morgan	10	10 (10)
Roger Turner	10	10 (10)

The Board's Focus During the Year

During the year the Board considered the implementation of strategy against a changing macroeconomic and geopolitical environment, rising interest rates and inflationary conditions, the impact of the increased cost of living for colleagues and members, and the changing ways of working and doing business in the post pandemic environment. Against this backdrop the Board has agreed that the strategy remains right for the Society.

Strategy and its execution was considered at each of the Board meetings along with the risks and opportunities facing the Society and the wider financial services sector. In order to ensure the long-term sustainable success of the Society, the Board regularly considered stress testing and scenario analysis, finance reports, forecasts and the Society's capital and liquidity position.

The key areas of focus for the Board during the year are detailed in the Society's strategic report on pages 8 to 17.

Conflicts of Interest

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

Time Commitments

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

Resources

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

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

Composition, Succession and Evaluation

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

Appointments to the Board and Succession Planning

Appointments to the Board and succession planning are overseen by the Nominations Committee. Further detail can be found within the Nominations Committee report on page 43.

Appraisals and Effectiveness

Evaluation of Executive and Non-Executive Directors

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

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

In 2023 the annual appraisals took place and it was concluded that each Director continues to make effective and valuable contributions to the Board and to demonstrate commitment to the role.

Evaluation of the Board

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

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

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

Internal performance reviews are undertaken on an annual basis by the Board and all Committees in the intervening years between the external review. In 2023 an internal Board effectiveness review took place, coordinated by the Company Secretary, and built on recommendations from the previous year's internal and external evaluations.

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

Audit, Risk and Internal Control

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

In an environment of increasing legal and regulatory requirements there has been increasing complexity and volume on the Board's agenda, which is reflected in an increased focus on governance, risk and the control environment.

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

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

Remuneration

The Board is responsible for ensuring the Society's remuneration policies and practices support the strategy and promote the long-term sustainable success of the Society. The Board has established a remuneration committee with delegated authority to consider these matters. Further detail can be found within the Remuneration Committee report on page 48.

Audit Committee

Membership of Committee

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

	Position	Number of Meetings	Meetings attended (meetings eligible to attend)
Colin Brereton	Chair	7	7 (7)
Tony Morgan	Member	7	7 (7)
Trevor Barratt	Member	7	7 (7)
Liz McKenzie (to August 2022)	Member	7	3 (3)

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 Chairman 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.

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

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

Financial Reporting

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

Allowance for impairment losses on loans and receivables

Determining the appropriateness of impairment losses involves 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 as 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 estimated loan loss impairment in the current year has taken into account the likely impact of cost-of-living pressures resulting from rising inflation, including higher energy costs. Forecast scenarios have been considered to reflect the potential impact of high inflation on mortgage customers' abilities to pay and resulting impairment losses. Consideration has been given to borrowing members' capacities to absorb rising costs, with particular emphasis on properties with lower energy efficiency. This has led to an increase in impairment charges.

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.

The impairment ratio for the Society as at 30 April 2023 was 0.12% (2022: 0.07%) and the loan loss impairment provision recognised by the Society as at 30 April 2023 was £1.6m (2022: £0.9m).

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.

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

The pension scheme net liability recorded at 30th April 2023 was £3.5m (2022: £2.3m). The increase in the liability was largely as a result of the Society crystallising a liability within the defined benefit pension liability in relation to a potential legal rectification issue, further details of which can be found in note 26.

Impairment of Fixed Assets

Management considered whether any elements of the Society's portfolio of Tangible Fixed Assets were impaired in light of the move into the 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 £0.5m 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 portfolio 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 30th April 2023 the Society held a total of £47.2m of derivative assets (2022: £22.6m) and £4.2m of derivative liabilities (2022: £0.4m). The fair value adjustment to the mortgage portfolio as a result of hedge accounting totalled £30.9m credit (2022: £18.4m credit).

Investment in Mutual Vision (MV)

The Society holds a shareholding of c.34% in Mutual Vision, which provides a number of software solutions to the Society and 21 other building societies, including Pro-Vision, the core savings and loans platform. In accordance with FRS102, the Society is required to consider whether the investment in 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 2023 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 2023 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 2023, the Committee recommended the approval of the final 2023 Annual Report and Accounts to the Board.

Internal Audit

Internal Audit is outsourced to PwC. During 2022/23 the Committee monitored the effectiveness of Internal Audit and the Internal Audit programme, approved the audit plan and budget, and confirmed that appropriate resources were in place to execute the plan effectively.

In the year ended 30th April 2023, 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 Liquidity Adequacy Assessment Process (ILAAP).
- Community Bank programme.
- Commercial Lending framework.
- Model risk framework and governance.
- Operational resilience.
- Mortgage Conduct of Business (MCOB).
- Customer experience.
- Key financial controls and treasury.

Internal control and risk management

Details of the risk management systems in place are provided within the Risk Committee Report on pages 54 to 63. The information received and considered by the Committee provided reasonable assurance that during the year ended 30th April 2023 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.

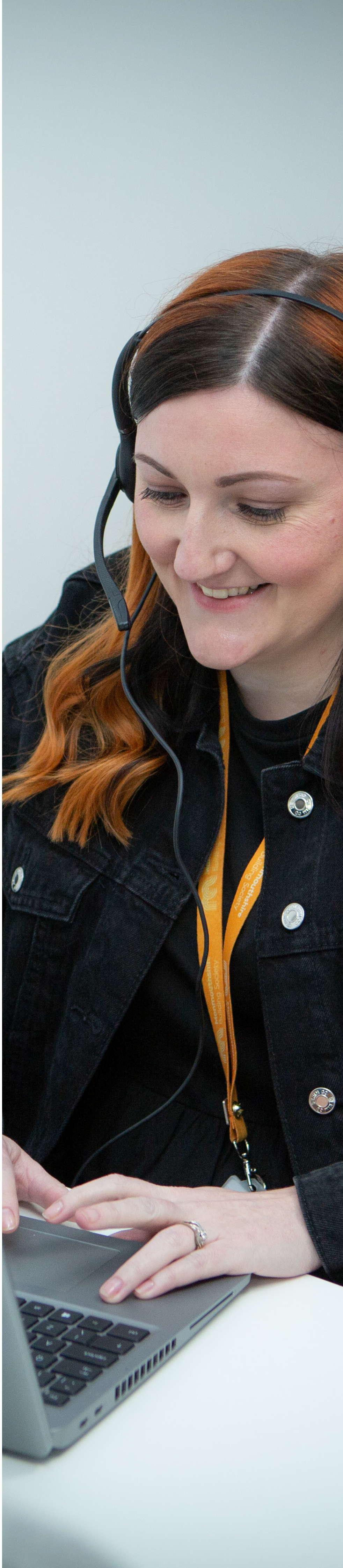
Committee Effectiveness

In the current financial year, the Committee conducted an internal review of its own effectiveness which was facilitated by the Company Secretary. This process involved a collective review by the members of the Committee of its own procedures, the resources available to the Committee, and the means by which the Committee performs its role. The Committee concluded that it operated effectively in discharging its responsibilities during the year.

Colin Brereton

Audit Committee Chairman

21 July 2023



Nominations Committee

A majority of members of the Committee are independent Non-Executive Directors. The Committee meets a minimum of twice a year. During the financial year the Committee met three times and had 100% attendance. Roger Turner succeeded Debra Lewis as Chair of the Committee following her retirement as Chair of the Board and Committee. The Chair of the Board does not Chair the Committee when it is dealing with the appointment of their successor.

The members of the Committee are shown below.

	Position	Number of Meetings	Meetings attended (meetings eligible to attend)
Roger Turner (member until August 2022, now chair)	Chair	3	3 (3)
Liz McKenzie	Member	3	3 (3)
Marian Evans (joined August 2022)	Member	3	1 (1)
William Carroll	Member	3	3 (3)
Debra Lewis (retired August 2022)	Chair	3	2 (2)

Committee role and key responsibilities

The Committee is responsible for leading the Board appointment process and ensuring plans are in place to ensure orderly succession to the Board. Planning and assessment is undertaken which considers the Society's strategic priorities and the main trends affecting the long-term success and future viability of the Society. The committee ensures that the Board and its Committees have the capabilities required to be effective, including consideration of skills, experience, independence, knowledge and behaviours.

Committee activities during the year

During the year the committee considered the role of Chief Risk Officer, its position within the Executive team and level of responsibility given the strategic ambition of the Society. This led to work being undertaken to enhance the Chief Risk Officer role accountabilities, to those of an Executive Director position on the Board.

The committee also considered the impact of Roger Turner stepping down as Senior Independent Director to coincide with his appointment to the Chair of the Board and concluded that Marian Evans held suitable experience and skills to be appointed as the new Senior Independent Director for the Society.

During the year the committee has also:

- reviewed the size and composition of the Board and its committees to ensure continued effectiveness;
- reviewed the Senior Managers and Certification Regime Responsibilities map;
- reviewed and considered the training needs of the Board;
- reviewed the Committee's effectiveness; 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

The Committee led the search for the Chief Risk Officer. Julian Bill joined the Society in 2021, initially as Interim Chief Finance Officer. He was appointed to the Board as Chief Risk Officer in August 2022. Julian has held senior roles at Wrekin Housing Group, Principality Building Society and other financial services firms, as well as a Non-Executive Board role at Pobl Housing Group.

The Society used Seymour John to appoint Julian into the role of Interim Chief Finance Officer. Seymour John does not have any connections to the Society or any of the Directors other than to provide searches for talent. The Society openly advertised the Chief Finance Officer role. The Chief Risk Officer role was advertised internally, and Miles Advisory provided support in the assessment of Julian against the criteria for the Chief Risk Officer application. Miles Advisory does not have any connections to the Society or any of the Directors.

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

Board Composition and succession planning

A key responsibility of the committee is 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. This includes Board succession planning and appointment of non-executive and executive directors.

Due to the retirement of a number of longer serving Non-Executive Directors, and in order to manage a robust and orderly succession plan, the Committee recommended that Tony Morgan remain on the Board as a Non-Executive Director for a further year to ensure continuity.

The committee considered the independence that is asked of Non-Executive Directors and as Tony Morgan would be extended beyond his nine-year term, a rigorous review of his independence was undertaken giving consideration to factors in Provision 10 of the Code. The committee determined that Tony continued to demonstrate independent character and judgement and was free from relationships or circumstances which may affect, or could appear to affect, his judgement. Tony will retire at the AGM in August 2023.

The Society welcomed its first Board Observer role as part of a Boardroom Ready programme for a twelve-month period. The initiative matches senior executives with boards of non-conflicting companies, to give them real commercial boardroom experience. The senior executive is matched with a board looking for their particular skillset for twelve months. The Committee uses a set of criteria regarding experience and personal qualities, based on the strategy, and agrees the skills and experience required for potential candidates.

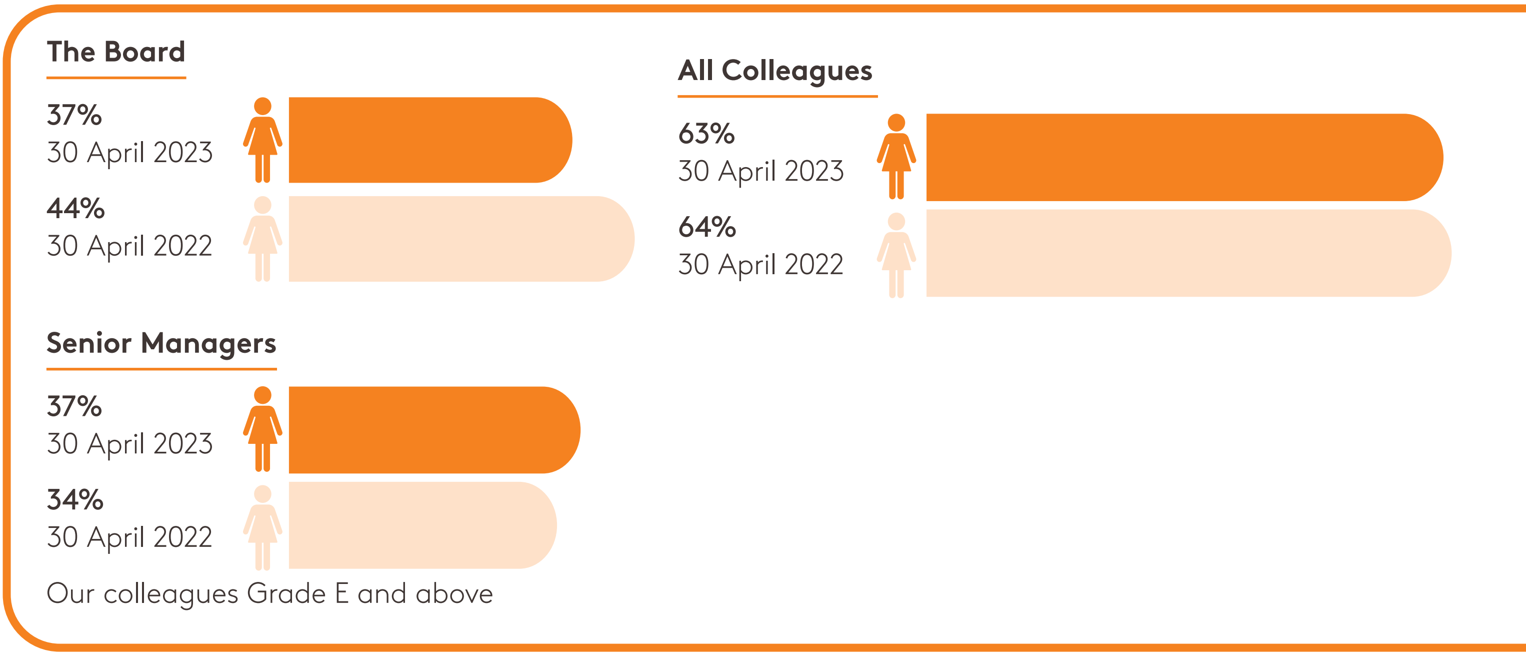
The Committee reviewed the effectiveness of the Boardroom Ready programme at the end of the twelve-month term and has determined it to be a successful activity that brings new experience and diversity of thinking to the Board. The Committee are keen to explore further opportunities within this programme that also support Society Executive colleagues in gaining value experience by joining the scheme and observing on other company Boards.

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.



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.

New Directors have a one-to-one session with the chairs of all committees and have regular sessions with the Society Chair. Specific training needs are addressed individually. Colin Brereton was the most recent Director to join the Board in 2022. At his request, additional sessions were arranged with colleagues to obtain an even greater understanding of the business.

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 May 2022, the Committee identified knowledge and training gaps in the following areas:

- Treasury and liquidity management.
- Cyber and information security.
- Digital strategy, emerging technologies and innovation.
- Climate change risk and the impact on financial institutions.
- Marketing, PR and digital media.
- Credit risk.

To address these and other areas arising 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.

Since the start of 2023 the 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.

Board Effectiveness

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

In 2021 an external review of effectiveness was undertaken by PwC which concluded the Committee was operating effectively. The next external review is due in 2024. Internal reviews are undertaken in the intervening years. In 2023 the Committee undertook an internal effectiveness review which concluded that the Committee was operating effectively.

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

Election and Re-election of Directors

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

Looking Ahead

Over the coming year, the Committee will:

- Continue to consider the skills needed on the Board and whether these are best supplemented by external support, such as IT and technology skills.
- Oversee changes to Committee membership and keep the composition, skills and experience under review.
- Recruit new Non-Executive Directors in line with the Society's succession plans.
- Keep developments around diversity and inclusion under review.

Committee Effectiveness

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

Remuneration Committee

Membership of Committee

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

The Committee meets a minimum of four times a year.

	Position	Number of Meetings	Meetings attended (meetings eligible to attend)
Liz McKenzie	Chair	5	5 (5)
Debra Lewis	Member	5	2 (2)*
Tony Morgan	Member	5	5 (5)
Marian Evans	Member	5	5 (5)
Roger Turner	Member	5	2 (2)**

*Debra Lewis (Retired 24.08.2022)

**Roger Turner (Formally joined the Committee on 1 January 2023) also attended one meeting prior to joining the Committee.

Committee Role and Key Responsibilities

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

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

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

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

Key Committee activities and decisions in the year

Remuneration Policy and Purpose

The Committee reviewed and approved the Remuneration Policy in the year. 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 second 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 a 4% increase in July 2022.

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.

Asset 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 Committee proposes to continue with a bonus scheme for the 2023/24 financial year with a similar approach and refreshed objectives with a continued focus on Environmental, Social and Governance (ESG) factors, including climate 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 heath & wellbeing champions it ensures the support offers 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 2022 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 included ethnicity, disability, inspiring young people and overall attraction and retention of a diverse workforce that is representative of the communities the Society serves.

Since last reporting, the Society has met the minimum requirement, of over 250 employees, so that is it required to disclose its Gender Pay Gap and CEO pay ratio 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. It 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 30 April 2023, these were as set out in the table below.

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

The CEO pay ratio at the Society shows that the CEO's pay is 8 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 employees 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. 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.

The Committee's 2022/23 Report includes the key disclosure requirements of the Code and complies with the regulatory requirements including, in particular, the FCA's Remuneration Code.

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

2023	Fees & salary	Performance related incentive scheme	Pension contribution	Taxable benefits	2023 Total	2022 Total
Non-Executive Directors:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
D R Lewis (retired August 2022)	19	-	-	2	21	57
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
R D Turner	51	-	-	7	58	37
Executive Directors:						
W J Carroll	225	38	30	12	305	275
D M Gunter	163	30	36	12	241	212
T Leach (appointed 18.07.2022)	111	20	14	10	155	-
J Bill (appointed 01.08.2022)	106	23	14	8	151	-

2022	Fees & salary	Performance related incentive scheme	Pension contribution	Taxable benefits	2022 Total	2021 Total
Non-Executive Directors:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
D R Lewis	57	-	-	-	57	57
T Barratt	39	-	-	1	40	39
C I Brereton	9	-	-	1	10	-
M Evans	31	-	-	-	31	-
L McKenzie	35	-	-	-	35	34
A D Morgan	39	-	-	-	39	39
R D Turner	35	-	-	2	37	33
Executive Directors:						
W J Carroll	204	23	37	11	275	263
D M Gunter	153	20	28	11	212	201
I J Jones (resigned 31.07.2021)	167	-	25	7	199	192

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

Loans to Directors

At 30 April 2023, one Director (2022: one Director) or persons connected with Directors had mortgage loans granted in the ordinary course of business totalling £507k (2022: £529k). 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 2023, the scheme for Executive Directors was designed to deliver a maximum award of up to 20% of basic salary, following finalisation of the accounts. The annual incentive scheme is linked to key corporate performance measures such as the achievement of financial targets (e.g. in relation to growth and efficiency), combined with demonstration of appropriate behaviours in line with the Society's performance management process.

Directors' Pensions and Other Benefits

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

The Code recommends that an Executive Director's service contract notice period should be set at twelve months or less. The Society meets this requirement. The Chief Executive Officer is subject to a notice period of twelve months. Other Executive Directors are subject to a notice period of six months.

Non-Executive Directors' Remuneration

The fees for Non-Executive Directors were determined by the Executive Directors and the Chair. The Chair's remuneration is determined by the Committee in the absence of the Chair. Additional fees are paid to the Senior Independent Director and the Risk, Remuneration and Audit Committee Chairs to reflect their increased responsibility. The level of fees is regularly compared with fees for Non-Executive Directors' remuneration in comparable organisations.

Liz McKenzie

Chair of the Remuneration Committee

21 July 2023

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:

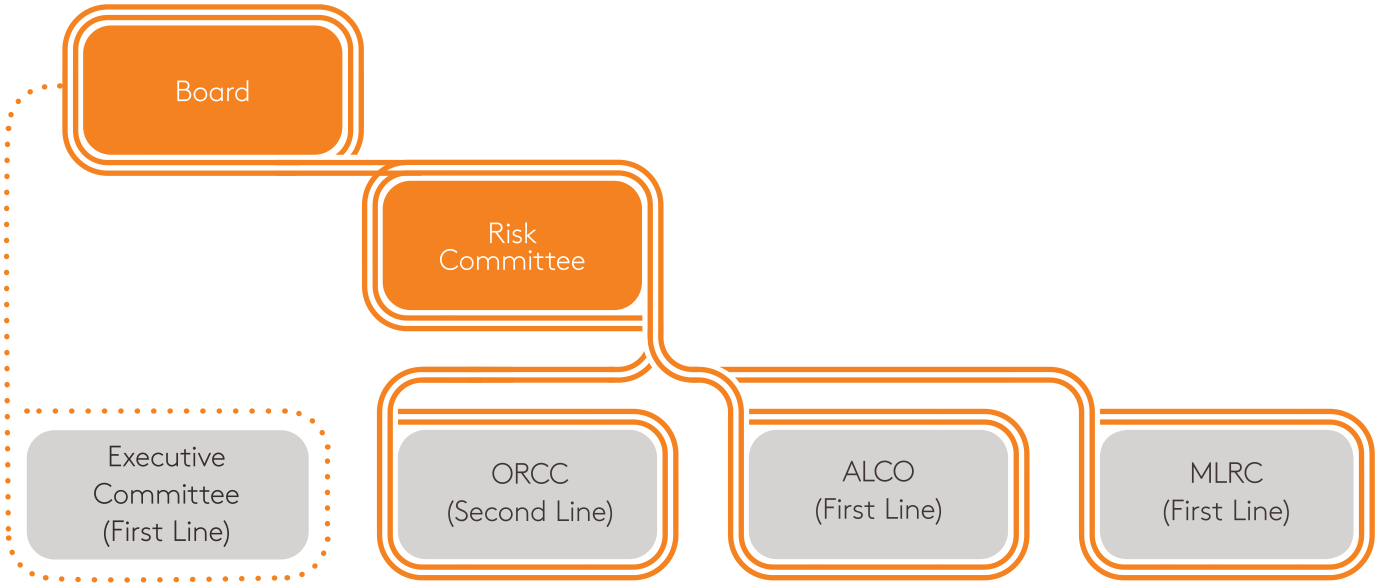
- is the Society's internal audit team; and
- provides independent assurance over the design, appropriateness and effective operation of the systems of internal control implemented by the first two lines of defence throughout the business.

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 Chief Risk Officer, Chief Compliance Officer, Head of Enterprise Risk, Executive Directors and other members of management as required.

	Position
Trevor Barratt	Chair
Marian Evans	Member
Colin Brereton	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.
- Continued review of the Society's approach to commercial lending on returning to this market.
- 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.
- Continued review of the Society's implementation of new regulatory requirements for Operational Resilience and Outsourcing and Third Party Risk Management.
- Oversight of the Society's programme of activities related to the implementation of changes necessary to comply with a 'New Consumer Duty' regulation.

Stress Testing

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

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

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

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

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

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

Primary 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 customers and members is a core competency of the Society. The Society has an **open** 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 reporting, including analysis of risk metrics.
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 **minimal** 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. • Strong risk management culture. • Conduct Risk Dashboard. • Vulnerable Customer Policy. • Enhancements being 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 have contributed to high inflation to which the Bank of England has responded by rapidly raising interest rates to their highest level in over a decade. Overall, the economy is balanced between low-growth and recession, and a reduction in average house prices is anticipated during 2023. 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. Nevertheless, the Society is aware that the full effects of inflation may not yet have crystalised, 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 on activity levels and pricing are not yet clear.	• 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. • 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. • Work on the Society's 'Community Bank' strategic objective has been paused while the impacts of ongoing uncertainties are considered.
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. • Board training and updates provided to Board and Risk Committee.

Changes in the jobs market There have been significant changes in the jobs market in recent years at a time when the Society has sought to meet its strategic ambitions through planned growth in its workforce. Trends in flexible working were accelerated during the Covid-19 pandemic, and the increase in early-retirement has led to a shortage of certain skills. This has contributed to increased competition amongst recruiters, driving wage inflation; to employees expecting greater flexibility; and to employees potentially staying with employers for less time. Whilst the Society has been successful in filling vacancies and growing capacity and capability to meet strategic ambitions, this is taking more time, effort and cost than it would have done a few years ago.	• Establishment and development of People Strategy. • Salary benchmarking / cost of living increase. • Rewards package refresh. • Employer brand improvements across recruitment platforms. • Expansion of HR team to support recruitment capacity. • Refreshed offices and flexible working.
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 principals for the Society have been agreed. • Agreement of IT strategy. • Appropriate information security and cyber security controls.

Basel 3.1 / Strong and Simple 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 'Strong and Simple' regime. The Society is likely to qualify to apply the changes under the Strong and Simple regime. The PRA has not yet published the final rules to be applied under either Basel 3.1 or Strong and Simple. 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

21 July 2023

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

Opinion on the Consolidated financial statements

In our opinion:

- The consolidated financial statements give a true and fair view of the state of the Group’s and of the Society’s affairs as at 30 April 2023 and of the Group’s profit and the Society’s profit for the year then ended;
- The consolidated financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- The consolidated financial statements have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the consolidated financial statements of Monmouthshire Building Society (the ‘Society’) and its subsidiaries (the ‘Group’) for the year ended 30 April 2023 which comprise the Group and Society Income and Expenditure Accounts, the Group and Society Statement of Other Comprehensive Income, the Group and Society Statement of Financial Position, the Group and Society Statement of Changes in Members’ Interests, the Group Cash Flow Statement and notes to the consolidated 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 consolidated 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 and Compliance committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Members of the Society at the AGM on 26th August 2020 to audit the consolidated financial statements for the year ending 30th April 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ending 30th April 2021 to 30th April 2023. We remain independent of the Group and the 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 to the Society.

Conclusions relating to going concern

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

- We performed a risk assessment, based on our knowledge of the business and industry to identify factors that could impact the going concern basis of accounting.
- We reviewed 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 expert, we considered the latest ICAAP and ILAAP and evaluated the consistency with the going concern assessment performed by management.

- We reviewed the regulatory correspondence and discussed with the Prudential Regulation Authority (PRA) the business model and viability of the Group.
- Read 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 or Society's ability to continue as a going concern for a period of at least twelve months from when the consolidated 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.

<table>
<tr><th colspan="4">Overview</th></tr>
<tr><td>Coverage</td><td colspan="3">100% (2022: 100%) of Group profit before tax
100% (2022: 100%) of Group interest receivable
100% (2022: 100%) of Group total assets</td></tr>
<tr><td rowspan="3">Key audit matters</td><td></td><td>2023</td><td>2022</td></tr>
<tr><td>Revenue Recognition (Effective Interest Rate adjustment)</td><td>✔</td><td>✔</td></tr>
<tr><td>Impairment provision on loans and advances</td><td>✔</td><td>✔</td></tr>
<tr><td>Materiality</td><td colspan="3">Group consolidated financial statements as a whole
£540,000 based on 0.65% of Net Assets (2022: £461,000 based on 0.65% of Net Assets)</td></tr>
</table>

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 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 how they have reflected the impact of climate change in their financial statements, and the significant judgements and estimates relating to climate change. These disclosures also explain the uncertainty regarding effects arising from climate change including the limited impact on accounting judgments and estimates for the current period under the requirements of accounting standards. 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 consolidated 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition (Effective Interest Rate adjustment)

The Group's accounting policies are disclosed in note 1</td><td>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 estimate involves adjusting fee and interest income to ensure it complies with the EIR method. The model used to achieve this are complex and reliant on the completeness and accuracy of input data.

Significant management judgement is also required to determine the expected cash flows for the Group's loans and advances within these model. The key assumptions in the EIR model is the directly attributable fees and costs and the expected behavioural life of the loan book due to the impact on timing and quantum of expected future cash flows.

Errors within the EIR model themselves or bias in key assumptions applied could result in the material misstatement of revenue.

Revenue recognition is, therefore, considered to be a significant risk area.</td><td>We assessed whether the revenue recognition policies adopted by the Group are in accordance with requirements of the applicable accounting framework. We tested the operating effectiveness of relevant controls. This included an assessment of the types of fees and costs being spread within the effective interest rate model versus the requirements of the applicable financial reporting standard.

We tested the completeness and accuracy of data and key model inputs feeding into the EIR model by agreeing samples back to the source documents. This includes the data used in the historical behavioural life profiles.

We assessed the accuracy of the model output by recalculating the EIR for a sample of loans, and agreed all key inputs relevant to the cash flows back to supporting evidence such as the fees, the contractual interest rate, maturity and year-end balance.

We challenged the reasonableness of the behavioural life assumptions used by management based on the Group's historical data, recent loan performance and product type and external relevant benchmarking.

With the involvement of our data specialists, we utilised data analytics to independently reperform a full recalculation of the contractual interest recognised during the financial year on loans and advances.

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 indications 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.</td></tr>
</table>

Impairment losses on loans and advances The Group's accounting policies are detailed on note 1 with detail about judgements in applying accounting policies and critical accounting estimates on note 10. As disclosed in Note 10, the collective impairment provision at year-end is £1,608k (2022: £866k).	The Group accounts for the impairment of loans and advances to customers using an incurred loss model. In accordance with the recognition and measurement criteria of applicable accounting standards, management has calculated two types of provisions. i. A specific provision is calculated for loans where there is an observable loss event. ii. A collective provision is recognised for loans which are impaired as at the year-end date and, whilst not specifically identified as such, are known from experience to be present in any portfolio of loans. Estimating both the specific and collective loan loss provision requires significant management judgement and estimate in determining the value and timing of expected future cash flows. The specific and collective provision is sensitive to key judgements and assumptions in respect to the underlying value of collateral held. The collective provision is calculated within a model that uses a combination of the Group's historical experience, segmentation of the loans by risk and external data, adjusted for current conditions including the impact of the cost of living crisis and rising interest rates. The model is sensitive to key judgements and assumptions including probability of defaults, future house price movements and forced sale discounts against collateral. In addition, management applied an overlay to the loan loss provision calculation in order to respond the risks not captured in the model (affordability risk). This requires high level of judgement and subjectivity.	We tested the operating effectiveness of relevant controls including: Governance and assumption forum meeting approving all significant assumptions and system control that identifies loans in arrears which are then flagged for investigation. We assessed the specific and collective provision methodology against the requirements of applicable accounting standards. We checked the completeness and accuracy of data feeding into the collective and specific provision calculations through reconciliation to underlying records. We have checked that management's stated loan provisioning assumption inputs have been consistently applied to the specific provision and collective provision model calculations, where relevant. We have profiled the loan population and tested a sample of loans, including performing loans for impairment indicators including arrears and high loan to values to identify individual loans, which may have impairments not identified by management to challenge the completeness and accuracy of management's impairment provision estimate. We assessed the collective impairment provision for sensitivity to changes in key inputs to identify areas requiring additional focus. For the specific and collective impairment provision, we evaluated and challenged management's key assumptions in the model. The assumptions challenged included forced sales discount, discount applied on the House Price Index (HPI) including considerations of climate risks, other sales costs 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 an assessment of the extent to which model methodology developed using historic experience were able to respond to the current economic conditions. Where we identified model limitations, we tested the extent to which these effects have been appropriately captured in management overlay.

	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 consolidated financial statements as a whole. Error within the loan loss provisioning models itself or bias in key assumptions applied could result in material misstatements of impairment provisions. For these reasons we considered this to be a key audit matter.	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 indications 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 consolidated 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 consolidated financial statements as a whole.

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

	Group consolidated financial statements		Society financial statement	
	2023	2022	2023	2022
Materiality	£540,000	£461,000	£537,000	£450,000
Basis for determining materiality	0.65% of Net assets	0.65% of Net assets	0.65% 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.			
Performance materiality	£324,000	£230,000	£322,000	£220,000

Basis for determining performance 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.	50% of materiality On the basis of our risk assessment together with factors such as our assessment of the Group's overall control environment, and expected total value of known and likely misstatements, based on past experience, our judgement was that overall performance materiality for the Group should be 50% of materiality.	60% of materiality On the basis of our risk assessment together with factors such as our assessment of the 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.	50% of materiality On the basis of our risk assessment together with factors such as our assessment of the Society's overall control environment, and expected total value of known and likely misstatements, based on past experience, our judgement was that overall performance materiality for the Society should be 50% of materiality.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £16,000 (2022: £13,000). 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 consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated 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 consolidated financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 consolidated financial statements are prepared is consistent with the consolidated 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 Other Building Societies Act 1986 reporting

In our opinion the information given on page 115 for the financial year ended 30th April 2023 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 consolidated 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 consolidated 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 the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 consolidated 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, those charged with governance and the Audit Committee; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

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.

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;
- 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 EIR accounting estimate, loan loss provisioning and pensions.

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 user.
- 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.
- In addressing the risk of fraud in pensions, involving our audit expert to independently challenge and assess the reasonableness of the financial and demographic assumptions used by management's expert in deriving at the scheme obligation value.
- 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 where appropriate.

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 consolidated 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: https://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.

Matthew Hopkins (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

21 July 2023

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

Income and Expenditure Accounts
Year ended 30th April 2023

	Notes	Group 2023 £000	Group 2022 £000	Society 2023 £000	Society 2022 £000
Interest receivable and similar income	2	56,175	28,342	56,175	28,342
Interest payable and similar charges	3	(28,427)	(8,234)	(28,427)	(8,234)
Net interest receivable		27,748	20,108	27,748	20,108
Fees and commissions receivable		36	384	36	384
Fees and commissions payable		(179)	(203)	(179)	(203)
Other operating income		103	-	87	-
Other operating expense		-	(1)	-	(10)
Other fair value gains	4	8,205	4,481	8,205	4,481
Total operating income		**35,913**	**24,769**	**35,897**	**24,760**
Administrative expenses	6	(21,589)	(14,491)	(21,644)	(14,551)
Depreciation and amortisation	13, 14	(1,133)	(1,281)	(1,113)	(1,243)
Total operating profit before provisions		**13,191**	**8,997**	**13,140**	**8,996**
Provisions for bad and doubtful debts	10	(1,127)	660	(1,127)	660
Other provisions	19	(40)	(17)	(40)	(17)
Operating profit		12,024	9,640	11,973	9,609
Profit on ordinary activities before tax		12,024	9,640	11,973	9,609
Tax on profit on ordinary activities	7	(2,338)	(1,864)	(2,324)	(1,852)
Profit for the financial year		**9,686**	**7,776**	**9,649**	**7,757**

The notes on pages 79 to 112 form an integral part of these accounts.

Statement of Other Comprehensive Income
Year ended 30th April 2023

	Notes	Group 2023 £000	Group 2022 £000
Profit for the financial year		9,686	7,776
Actuarial gains recognised in the pension scheme	20	528	1,229
Deferred Tax charge	7	(132)	(104)
Total comprehensive income relating to the financial year and recognised since last annual report		**10,082**	**8,901**

	Notes	Society 2023 £000	Society 2022 £000
Profit for the financial year		9,649	7,757
Actuarial gains recognised in the pension scheme	20	528	1,229
Deferred Tax charge	7	(132)	(104)
Total comprehensive income relating to the financial year and recognised since last annual report		**10,045**	**8,882**

The notes on pages 79 to 112 form an integral part of these accounts.

Statement of Financial Position
Year ended 30 April 2023

		Group		Society	
Assets	Notes	2023 £000	2022 £000	2023 £000	2022 £000
Liquid Assets					
Cash in hand		854	695	470	390
Loans and Advances to Credit Institutions	5	149,307	126,317	149,307	126,317
Debt securities issued by other borrowers	8	120,725	128,414	120,725	128,414
	5	**270,886**	**255,426**	**270,502**	**255,121**
Derivative financial instruments	12	47,242	22,635	47,242	22,635
Loans and advances to Customers					
Loans fully secured on residential property	9	1,256,635	1,177,578	1,256,635	1,177,578
Other loans – fully secured on land	9	34,635	24,385	34,635	24,385
		1,609,398	**1,480,024**	**1,609,014**	**1,479,719**
Investments	11	369	369	2,444	2,444
Intangible fixed assets	13	391	604	391	604
Tangible fixed assets	14	6,040	5,428	4,633	4,000
Other assets	23	1,003	666	1,004	647
Prepayments and accrued income		1,322	1,094	1,322	1,094
Total assets		**1,618,523**	**1,488,185**	**1,618,808**	**1,488,508**
Liabilities					
Shares	15	1,168,210	994,964	1,168,210	994,964
Amounts owed to credit institutions	16	156,212	174,980	156,212	174,980
Amounts owed to other customers	17	201,431	239,901	201,431	239,901
Derivative financial instruments	12	4,187	384	4,187	384
Other liabilities	18	610	2,185	1,312	2,888
Accruals and deferred income		1,802	1,044	1,802	1,044
Provisions for liabilities	19	40	-	40	-
Net pension scheme liability	20	3,490	2,268	3,490	2,268
Total liabilities		**1,535,982**	**1,415,726**	**1,536,684**	**1,416,429**
Total equity attributable to members		**82,541**	**72,459**	**82,124**	**72,079**
Total equity and liabilities		**1,618,523**	**1,488,185**	**1,618,808**	**1,488,508**

The notes on pages 79 to 112 form an integral part of these accounts. These financial statements were approved by the Board of Directors and authorised for issue on 21 July 2023.

Roger Turner

William Carroll

Statement of Changes in Members' Interests

Year ended 30 April 2023	Notes	General Reserve
Group		£000
At 1 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 2023		**82,124**

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

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

Consolidated Cash Flow Statement

	Notes	Group	
		2023 £000	2022 £000
Cashflows from operating activities			
Profit on operating activities before tax		12,024	9,640
Provisions for bad and doubtful debts		1,127	(660)
Depreciation and amortisation		1,134	1,281
Net charge in respect of retirement benefit obligations		2,024	73
Taxation paid		(4,392)	(570)
(Gain) / Loss on sale of tangible and intangible fixed assets		(28)	18
Non-cash items included in profit before tax		(711)	(12)
Net cash inflow from operating activities before movement in operating assets and liabilities		**11,178**	**9,770**
Movement in operating assets and liabilities			
Loans and advances to customers		(90,817)	(65,792)
Loans and advances written off		385	12
Shares		173,246	(7,046)
Amounts (owed from)/owed to credit institutions and other customers		(57,238)	108,238
Derivative financial assets		(24,607)	(21,388)
Other assets		23	412
Other liabilities		(14)	(1,276)
Prepayments and accrued income		(229)	(294)
Derivative financial liabilities		3,803	(5,495)
Accruals and deferred income		757	(273)
Provisions for liabilities		40	(32)
Employer pension scheme contributions		(274)	(501)
Net cash inflows from operating activities		**5,075**	**6,565**
Cash flows gernerated from investing activities			
Purchase of tangible and intangible fixed assets		(1,846)	(354)
Disposal of tangible and intangible fixed assets		341	720
Purchase of debt securities		(81,099)	(73,436)
Maturities and disposal of debt securities		89,500	25,386
Net cash inflows/(outflows) from investing activities		**6,896**	**(47,684)**
Net increase/(decrease) in cash and cash equivalents		**23,149**	**(31,349)**
Cash and cash equivalents at beginning of the year		**127,012**	**158,361**
Cash and cash equivalents at end of the year	24	**150,161**	**127,012**

Notes to the Accounts
Year ended 30th April 2023

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 items represent the most significant effects:

- The use of market indicators as inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk.
- 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 Group has applied robust stress testing to its 3-year forecasts and prepared a detailed long-term viability/going concern document, which considers potential impacts on our growth, profit, capital, liquidity, funding and operations. The analysis concluded that the Group remains extremely well placed to be able to withstand the negative consequences of current adverse economic conditions. For this reason, the accounts continue to be prepared on the going concern basis.

1. 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 main impact for the Group relates to behavioural lives incorporated in the calculation.

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

Fees and Commissions Receivable

Fees and commissions receivable or payable that are an integral element of the effective interest rate of the financial instrument are recognised as an adjustment to the effective interest rate and recorded within "Interest receivable and similar income". Any other fees and commissions receivable are recognised when the 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.

1. Accounting Policies (continued)

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

Derivative Financial Instruments and Hedge Accounting

The 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.

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 2023. 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 38.

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, and the forced sale discount. On any subsequent sale of property an increase in the forced sale discount of 5% would result in a movement of the provision of £0.27m (2022 £0.13m). 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.

Derivatives and Hedge Accounting

The Group adopts hedge accounting in accordance with FRS102 where it uses interest rate swaps to hedge the risk of changes in interest rate risk affecting its fixed rate mortgage and savings portfolios. This reduces the volatility through the Income Statement from valuations of the swaps. The net fair value ascribed to the swaps and underlying assets and liabilities they are hedging is £43.1 million (2022: £22.6m).

Investment in Mutual Vision Technologies Limited (MVT)

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

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

Retirement Benefit Obligations

The 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. In making these judgements the Group is also required to consider the issue that was identified through a review of the scheme deed and rules (see note 20) during prior years. The reported liability, service cost and expected return on pension plan assets can be impacted by changes in the assumptions used. Of these assumptions the most significant in terms of its impact upon the financial statements is the discount rate applied to determine the scheme's liabilities. A decrease of 0.5% (2022: 0.5%) in the discount rate applied will increase the deficit by approximately £0.9m (2022: £2m).

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

2. Interest receivable and similar income

	Group and Society	
	2023	2022
	£000	£000
At amortised cost:		
On loans fully secured on residential property	35,472	29,371
On other loans	2,074	1,095
On liquid assets	6,779	859
	44,325	**31,325**
At fair value through profit and loss:		
On derivative financial instruments	11,850	(2,983)
	56,175	**28,342**

3. Interest payable and similar charges

	Group and Society	
	2023	2022
	£000	£000
At amortised cost:		
On shares held by individuals	23,395	6,749
On deposits and other borrowings	4,578	1,478
	27,973	**8,227**
At fair value through profit and loss:		
On derivative financial instruments	454	7
	28,427	**8,234**

4. Other fair value gains and losses

	Group and Society	
	2023	2022
	£000	£000
Gain on hedged derivatives	13,555	22,580
Gain on unhedged dervatives	7,227	4,302
Loss on hedged items attributable to the hedged risk	(12,577)	(22,401)
Net gain	**8,205**	**4,481**

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). At the year end the Society had no assets or liabilities that reference the London Interbank Offered Rate (LIBOR).

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 2023, the Economic Value of the Group's balance sheet would have decreased reserves by £1.8m (2022: £0.7m) 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%/-2% parallel shift in rates, which is discounted against a risk-free SONIA rate. At 30 April 2023 the impact of a 2% parallel increase in interest rates was £212k favourable (2022: £871k adverse), whilst the impact of a 2% parallel decrease in interest rates was £212k adverse (2022: £871k favourable).

The Group is not exposed to foreign currency risk.

5. Financial Instruments (continued)

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						
Cash	-	854	-	-	-	854
Loans and advances to credit institutions	-	149,307	-	-	-	149,307
Debt securities	120,725	-	-	-	-	120,725
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**

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

	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	-	695	-	-	-	695
Loans and advances to credit institutions	-	126,317	-	-	-	126,317
Debt securities	128,414	-	-	-	-	128,414
Loans and advances to customers	-	1,201,963	-	-	-	1,201,963
Derivative financial instruments	-	-	-	22,635	-	22,635
Total financial assets	128,414	1,328,975	-	22,635	-	1,480,024
Non-financial assets	-	-	-	-	8,161	8,161
	128,414	**1,328,975**	**-**	**22,635**	**8,161**	**1,488,185**
Liabilities						
Shares	-	-	994,964	-	-	994,964
Amounts owed to credit institutions and other customers	-	-	414,881	-	-	414,881
Derivative financial instruments	-	-	-	384	-	384
Total financial liabilities	-	-	1,409,845	384	-	1,410,229
Non-financial liabilities	-	-	-	-	5,497	5,497
Reserves	-	-	-	-	72,459	72,459
	-	**-**	**1,409,845**	**384**	**77,956**	**1,488,185**

5. Financial Instruments (continued)

Fair values of financial assets and liabilities

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

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

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 2023.

	Group and Society	
	2023	2022
	£000	£000
Financial assets		
Derivative financial instruments	47,242	22,635
Financial liabilities		
Derivative financial instruments	4,187	384

Credit risk

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

	Group		Society	
	2023	2022	2023	2022
	£000	£000	£000	£000
Loans and advances to credit institutions	149,307	126,318	149,307	126,318
Debt Securities	120,725	128,414	120,725	128,414
Loans and advances to customers	1,291,270	1,201,963	1,291,270	1,201,963
Derivative assets	47,242	22,635	47,242	22,635
	1,608,544	**1,479,330**	**1,608,544**	**1,479,330**

Credit risk on loans and advances to customers is shown net of impairment provisions of £1,608k (2022: £866k). The Group's total credit risk exposure to the mortgage portfolio including undrawn commitments is £1,362m (2022: £1,274m).

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			
	2023	2023	2022	2022
	£000	%	£000	%
			Restated	Restated
Cash in hand	854	-	695	-
Other assets				
Banks	114,602	36	89,344	32
Building Societies	28,282	9	16,119	6
UK Government	31,069	10	51,455	19
Bank of England	143,321	45	120,448	43
	318,128	**100**	**278,061**	**100**

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

Prior year comparatives have been restated to reflect the inclusion of the derivative financial instruments which were previously not included.

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 £434.7m and the associated credit quality of the portfolio is similar to that of the rest of the mortgage book.

5. 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 2023	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	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**

As at 30 April 2022	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
	Restated	Restated	Restated	Restated	Restated	Restated
Non-Derivative Financial Liabilities						
Shares	744,393	29,739	131,780	93,056	4,773	1,003,741
Amounts owed to credit institutions and other customers	196,432	7,510	39,366	164,115	-	407,423
Derivative Financial Liabilities						
Derivative financial instruments	-	81	325	-	-	406
	940,825	**37,330**	**171,471**	**257,171**	**4,773**	**1,411,570**

Prior year comparatives have been restated as the liquidity risk disclosure was omitted in the prior year in error.

Loan to value (LTV) Analysis Residential	Group	Group
	2023	2022
	%	%
0-50%	24	27
50% to 60%	11	12
60% to 70%	12	11
70% to 80%	16	15
80% to 90%	28	23
90% to 100%	9	12
Total	**100**	**100**

LTV Analysis Buy to Let	Group	Group
	2023	2022
	%	%
0-50%	9	9
50% to 60%	10	10
60% to 70%	19	19
70% to 80%	61	60
80% to 90%	1	1
90% to 100%	-	1
Total	**100**	**100**

LTV Analysis Commercial	Group	Group
	2023	2022
	%	%
0-50%	50	27
50% to 60%	16	18
60% to 70%	27	18
70% to 80%	6	33
80% to 90%	-	1
90% to 100%	-	-
Greater than 100%	1	3
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% (2022: 55%). The increase on the prior year is in line with the Group's strategy to offer more first-time buyer mortgages, which typically have a higher initial LTV. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of collateral held adjusted by a house price index. The collateral consists of residential or commercial property. Residential collateral values are adjusted by the Nationwide price index to derive the indexed valuation, taking into account regional data. The Group uses the index to update the property values of its portfolios on a quarterly basis. Commercial property valuations have not been updated since loan origination.

5. Financial Instruments (continued)

The 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				
	2023	2023	2022	2022
	£000	%	£000	%
Wales	361,233	39	346,853	42
South West	90,168	10	82,616	10
Inner London	111,480	12	79,714	10
Midlands	112,924	12	99,877	12
South East	77,835	8	64,464	8
North West	76,408	8	67,570	8
Other	54,703	6	48,846	6
Outer London	42,291	5	36,714	4
	927,042	**100**	**826,654**	**100**

Geographical Split - Buy to Let	Group		Group	
	2023	2023	2022	2022
	£000	%	£000	%
Wales	115,599	34	114,555	36
South West	98,478	30	97,019	30
South East	26,392	8	22,022	7
Outer London	22,146	7	22,026	7
North West	20,713	6	18,527	6
Other	23,642	7	19,923	6
Midlands	14,696	4	13,466	4
Inner London	11,864	4	12,839	4
	333,530	**100**	**320,377**	**100**

Geographical Split - Commercial	Group		Group	
	2023	2023	2022	2022
	£000	%	£000	%
Wales	16,820	55	39,588	72
Midlands	8,785	29	2,372	4
South East	4,097	13	3,252	6
South West	996	3	6,055	11
Inner London	-	-	1,004	2
North West	-	-	1,392	3
Outer London	-	-	741	1
Other	-	-	528	1
	30,698	**100**	**54,932**	**100**

Geographical Split - Total	Group		Group	
	2023	2023	2022	2022
	£000	%	£000	%
Wales	493,652	38	500,996	42
South West	189,643	15	185,690	15
Inner London	123,344	10	93,557	8
Midlands	136,405	11	115,715	10
South East	108,323	8	89,738	7
North West	97,121	8	87,489	7
Other	78,345	5	69,297	6
Outer London	64,437	5	59,481	5
	1,291,270	**100**	**1,201,963**	**100**

Arrears Analysis - Residential	Group		Group	
	2023	2023	2022	2022
	£000	%	£000	%
Neither past due nor impaired	913,955	99	819,696	99
Past due up to 3 months	10,679	1	4,348	1
Past due up to 6 months	349	-	603	-
Past due 6 to 9 months	738	-	944	-
Past due over 9 months	1,321	-	1,064	-
	927,042	**100**	**826,654**	**100**

Arrears Analysis - Buy to Let	Group		Group	
	2023	2023	2022	2022
	£000	%	£000	%
Neither past due nor impaired	329,521	99	318,689	99
Past due up to 3 months	3,176	1	1,421	1
Past due up to 6 months	120	-	155	-
Past due 6 to 9 months	33	-	5	-
Past due over 9 months	680	-	107	-
	333,530	**100**	**320,377**	**100**

Arrears Analysis - Commercial	Group		Group	
	2023	2023	2022	2022
	£000	%	£000	%
Neither past due nor impaired	29,584	96	51,708	94
Past due up to 3 months	600	2	2,869	5
Past due up to 6 months	142	-	-	-
Past due 6 to 9 months	195	1	-	-
Past due over 9 months	177	1	355	1
	30,698	**100**	**54,932**	**100**

Arrears Analysis - Total	Group		Group	
	2023	2023	2022	2022
	£000	%	£000	%
Neither past due nor impaired	1,273,060	99	1,190,093	99
Past due up to 3 months	14,455	1	8,637	1
Past due up to 6 months	611	-	758	-
Past due 6 to 9 months	966	-	949	-
Past due over 9 months	2,178	-	1,526	-
	1,291,270	**100**	**1,201,963**	**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 0.35% (2022: 0.32%) is greater than three months in arrears. Specific provisions are calculated against potentially impaired balances (see note 10).

6. Administrative Expenses

	Group		Society	
	2023	2022	2023	2022
	£000	£000	£000	£000
Staff costs	15,139	9,309	15,139	9,309
Auditor's remuneration:				
Statutory audit of Group and Society	368	155	368	155
Statutory audit of Subsidiary	5	5	5	5
Other services	-	21	-	21
Other expenses	6,077	5,001	6,132	5,061
	21,589	**14,491**	**21,644**	**14,551**

Included in staff costs are defined contribution pension scheme contributions of £1,177k (2022: £557k) and £1,958k (2022: £Nil) of past service costs in relation to the defined benefit pension scheme (see note 26).

Statutory audit of Group and Society costs include £49,280 of costs related to the 2022 audit but incurred in 2023.

7. Taxation

	Group		Society	
	2023	2022	2023	2022
	£000	£000	£000	£000
Current Tax:				
UK Corporation Tax charge	2,523	1,836	2,509	1,824
Adjustments in respect of previous years	3	(2)	3	(2)
Total current tax charge	**2,526**	**1,834**	**2,512**	**1,822**
Deferred Tax:				
Origination and reversal of timing difference	(212)	5	(212)	5
Adjustments in respect of previous years	73	-	73	-
Effects of changes in tax rates	(49)	25	(49)	25
Total deferred tax (credit)/charge	**(188)**	**30**	**(188)**	**30**
Total tax charge per Income and Expenditure Account	**2,338**	**1,864**	**2,324**	**1,852**
Equity items				
Deferred tax charge	132	75	132	75
Total tax charge	**2,470**	**1,939**	**2,456**	**1,927**

7. Taxation (continued)

The Society was subject to an effective tax rate of 19.5% for the year (2022: 19%). The Society was subject a to corporation tax rate of 19% from 1st May 2022 to 31st March 2023. From 1 April 2023 the rate of corporation tax increased to 25%.

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

	Group		Society	
	2023	2022	2023	2022
	£000	£000	£000	£000
Profit before tax	**12,024**	**9,640**	**11,973**	**9,609**
Effects of:				
Tax at 19.5% thereon (2022: 19%)	2,349	1,818	2,335	1,806
Expenses not deductible	(38)	23	(38)	23
Adjustments from previous periods	76	(2)	76	(2)
Tax rate changes	(49)	25	(49)	25
Tax charge for the period	**2,338**	**1,864**	**2,324**	**1,852**
Statement of Financial Position				
Current tax (receivable) / payable	(283)	1,559	(305)	1,539
Deferred tax asset	(706)	(651)	(706)	(651)
Deferred tax assets:				
Deferred tax asset at start of period	(651)	(755)	(651)	(755)
Deferred tax (credit)/ charge to income statement for the period	(211)	5	(211)	5
Adjustment in respect of prior years	73	25	73	25
Impact of change in tax rate	(49)	-	(49)	-
Deferred tax charge in equity for the period	132	75	132	75
Deferred tax asset at end of period	**(706)**	**(651)**	**(706)**	**(651)**
Fixed asset timing differences	188	(39)	188	(39)
Short-term timing differences – trading	(894)	(612)	(894)	(612)
	(706)	**(651)**	**(706)**	**(651)**
Deferred tax assets recoverable	**(706)**	**(651)**	**(706)**	**(651)**

8. Debt Securities Issued by Other Borrowers

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

	Group and Society	
	2023	2022
	£000	£000
Accrued interest	574	154
Maturing in not more than one year	68,561	54,390
Maturing in more than one year	51,590	73,870
	120,725	**128,414**
Analysis of Debt Securities:		
Issued by UK government	31,068	51,455
Issued by other borrowers	56,866	40,245
Issued by supranational entities	32,791	36,714
	120,725	**128,414**

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	
	2023	2022
	£000	£000
		Restated
In not more than three months	8,464	6,467
In more than three months but not more than one year	10,458	10,835
In more than one year but not more than five years	63,689	58,288
In more than five years	1,240,170	1,143,000
	1,322,781	**1,218,590**
Provisions for bad and doubtful debts (note 10)	(1,608)	(866)
Effective interest rate adjustments	1,032	2,597
Fair value adjustments due to hedged risk	(30,935)	(18,358)
	1,291,270	**1,201,963**
Loans fully secured on residential property	1,256,635	1,177,578
Other loans – fully secured on land	34,635	24,385
	1,291,270	**1,201,963**

Prior year comparatives have been restated to disclose accounting adjustments (provisions for bad and doubtful debts, effective interest rate adjustments and fair value adjustments) separately, as previously these were included within the maturity profile of advances secured on residential property and other advances secured on land.

9. Loans and Advances to Customers (continued)

The Society has encumbered £298.2m (restated 2022: £288.1m) of mortgage assets through the Bank of England's Sterling Monetary Framework (SMF). The prior period year end comparative has been restated to reflect the requirements of FRS 102 to disclose the carrying amount of financial assets pledged as collateral. 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. Where it has considered that current risks are not wholly captured within the model output, post model adjustments have been applied to ensure the completeness of the provision. In the current economic environment, these adjustments relate to affordability pressures for borrowers increasing the probability of default.

Specifically, post model adjustments have been applied to capture the impact of high energy prices on the probability of default of borrowers with energy inefficient homes, and the impact of cost of living pressures on the probability of default of borrowers with a high loan-to-income ratio at origination. These post model adjustments totalled £482k in the current year (2022: £117k).

A further driver in the increase in 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 2022	228	284	349	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**
At 1 May 2021	855	264	394	26	1,539
Amounts utilised in year	(13)	-	-	-	(13)
(Credit) / charge for the year	(614)	20	(44)	(22)	(660)
At 30 April 2022	**228**	**284**	**350**	**4**	**866**

11. Investments

	Group		Society	
	2023	2022	2023	2022
	£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 as 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 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)**
At 30 April 2022			
Derivatives not in hedging relationships	206,500	2,138	(386)
Derivatives designated in hedging relationships	674,000	20,497	2
	880,500	**22,635**	**(384)**

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 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

13. Intangible Fixed Assets (continued)

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

14. Tangible Fixed Assets

	Land & buildings	Office equipment & vehicles	Total
Group	£000	£000	£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)

	Land & buildings	Office equipment & vehicles	Total
Society	£000	£000	£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

During the financial year, an impairment loss of £511k was recognised in respect of Land and Buildings held by the Society. The impairment loss relates to a building and a branch 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 £415k and £96k, respectively.

14. Tangible Fixed Assets (continued)

	Land & buildings	Office equipment & vehicles	Total
Group	£000	£000	£000
Cost	Restated	Restated	Restated
At 1 May 2021	7,763	1,617	9,380
Additions	329	25	354
Disposals	141	(197)	(56)
At 30 April 2022	**8,233**	**1,445**	**9,678**
Depreciation			
At 1 May 2021	2,175	1,256	3,431
Charge for the year	191	132	323
Impairment	600	-	600
Disposals	74	(178)	(104)
At 30 April 2022	**3,040**	**1,210**	**4,250**
Net book value			
At 30 April 2022	**5,193**	**235**	**5,428**
At 30 April 2021	5,588	361	5,949

14. Tangible Fixed Assets (continued)

	Land & buildings	Office equipment & vehicles	Total
Society	£000	£000	£000
Cost	Restated	Restated	Restated
At 1 May 2021	5,714	1,565	7,279
Additions	329	25	354
Disposals	141	(197)	(56)
At 30 April 2022	**6,184**	**1,393**	**7,577**
Depreciation			
At 1 May 2021	1,596	1,201	2,797
Charge for the year	152	132	284
Impairment	600	-	600
Disposals	74	(178)	(104)
At 30 April 2022	**2,422**	**1,155**	**3,577**
Net book value			
At 30 April 2022	**3,762**	**238**	**4,000**
At 30 April 2021	4,118	364	4,482

Prior year comparatives have been restated following a reclassification of impairment on fixed assets of £600k from cost to depreciation. The presentation of impairment as a deduction from cost in the prior year was identified as an error subsequent to the approval of the prior year financial statements and has been rectified in the current year accordingly.

15. Shares

	Group and Society	
	2023	2022
	£000	£000
Held by individuals	**1,168,210**	**994,964**

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

	2023	2022
Accrued interest	3,831	635
On demand	529,625	516,593
In not more than three months	271,328	262,618
In more than three months but not more than one year	163,001	129,628
In more than one year but not more than five years	200,425	85,490
	1,168,210	**994,964**

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	
	2023	2022
	£000	£000
Accrued interest	522	113
In not more than three months	35,397	13,030
In more than three months but not more than one year	351	4,432
In more than one year but not more than five years	119,942	157,405
	156,212	**174,980**

Amounts owed to credit institutions includes £115,402k (2022: £150,092k) 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	
	2023	2022
	£000	£000
Accrued interest	353	63
On demand	134,482	108,760
In not more than three months	49,672	93,343
In more than three months but not more than one year	11,908	34,735
In more than one year but not more than five years	5,016	3,000
	201,431	**239,901**

18. Other Liabilities

	Group		Society	
	2023	2022	2023	2022
	£000	£000	£000	£000
Falling due within one year:				
Loans from subsidiaries on demand	-	-	718	718
Corporation tax payable	23	1,592	-	1,568
Other creditors	587	593	594	602
	610	**2,185**	**1,312**	**2,888**

19. Provisions for Liabilities

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**

Group and Society	FSCS Levy	Total
	£000	£000
At 1 May 2021	32	32
Charge for the year	17	17
Amounts utilised	(49)	(49)
At 30 April 2022	**-**	**-**

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	
	2023	2022
	£000	£000
Costs (excluding Non-Executive Directors):		
Wages and salaries	8,989	7,702
Social security costs	1,064	742
Other pension costs	3,135	865
	13,188	**9,309**

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

Employees	Group		Society	
	2023	2022	2023	2022
	£000	£000	£000	£000
Average number employed during the year:				
(i) at the Society's Head Office:				
Full-time	171	136	171	136
Part-time	16	13	16	13
(ii) at Branch Offices:				
Full-time	35	27	35	27
Part-time	24	29	24	29
	246	**205**	**246**	**205**

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.

The closure of the Society's defined benefit pension scheme to new accrual during the year ended 30 April 2020 revealed an issue relating to the original drafting of the scheme rules dating back to 1994. Further details are contained in note 26.

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	
	2023	2022
	£000	£000
Present value of funded obligations	14,734	16,177
Fair value of fund assets	(11,244)	(13,909)
Scheme Deficit	**3,490**	**2,268**

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

The amounts recognised in the Statement of Other Comprehensive Income		
	2023	2022
	£000	£000
Actuarial loss on plan assets	(2,953)	(747)
Actuarial gain on defined benefit obligation	3,481	1,976
Total gains	**528**	**1,229**
Actuarial gain on defined benefit obligation		
Of which due to experience	(954)	(271)
Of which due to demographic assumptions	(224)	-
Of which due to financial assumptions	4,659	2,247
Actuarial gain on defined benefit obligation	**3,481**	**1,976**

Changes in the Present Value of the Defined Benefit Obligation:		
	2023	2022
	£000	£000
Liabilities at the beginning of the period	16,177	18,314
Interest cost	495	361
Actuarial gain	(3,481)	(1,976)
Benefits paid	(415)	(522)
Past service cost	1,958	-
Liabilities at the end of the period	**14,734**	**16,177**

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

Changes in the Fair Value of Plan Assets:		
	2023	2022
	£000	£000
Fair value of plan assets at the beginning of the period	13,909	14,389
Interest income	429	288
Actuarial loss	(2,953)	(747)
Contributions by the employer	274	501
Benefits paid	(415)	(522)
Fair value of plan assets at the end of the period	**11,244**	**13,909**

Analysis of Return on Plan Assets:		
	2023	2022
	£000	£000
Interest income	429	288
Actuarial loss on plan assets	(2,953)	(803)
	(2,524)	**(515)**

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.

	2023	2023	2023	2023
	£000	%	£000	%
Equities	4,980	44.3	6,430	46.2
Bonds	5,209	46.4	6,130	44.1
Cash and Net Current Assets	117	1.0	92	0.7
Annuities	938	8.3	1,257	9.0
	11,244	**100.0**	**13,909**	**100.0**

Amounts Recognised in the Income Statement		
	2023	2022
	£000	£000
Net interest cost	66	73
Past service cost	1,958	-
Total pension expense	**2,024**	**73**

Principal Actuarial Assumptions at the Balance Sheet Date:		
	2023	2022
	%	%
Discount rate	4.8	3.1
RPI price inflation	3.0	3.7
CPI price inflation	2.5	3.2
Rate of increase in salaries	3.0	3.7
Rate of increase in pensions in payment	2.9	3.5
Male post retirement mortality	S3NMA CMI 2021 (1.50%)	S3NMA CMI 2018 (1.00%)
Female post retirement mortality	S3NFA CMI 2021 (1.00%)	S2NFA CMI 2018 (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		
	2023	2022
	Years	Years
Current pensioners age 60 – males	27.3	26.3
Current pensioners age 60 – females	29.5	28.5
Future pensioners age 60 (currently age 40) – males	29.1	27.5
Future pensioners age 60 (currently age 40) - females	30.6	29.7

21. Capital and other commitments

Capital commitments contracted for but not provided in these accounts were £nil (2022: £nil). The Group has undrawn lending commitments of £70m as at 30 April 2023 (2022: £72m). 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:

	2023	2022
	£000	£000
Less than one year	354	190
Between one and five years	1,336	400
Greater than five years	2,830	310
	4,520	**900**

Total lease expenditure for the year was £456k (2022: £227k).

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	72	72
Greater than five years	9	27
	99	**117**

Total lease income for the year was £18k (2022: £18k).

23. Other Assets

	Group		Society	
	2023	2022	2023	2022
	£000	£000	£000	£000
Deferred Tax	706	651	706	651
Corporation Tax Receivable	305	-	305	-
Other sundry debtors	(8)	15	(7)	(4)
	1,003	**666**	**1,004**	**647**

24. Analysis of change in net debt

	Group		
	2023	Cashflows	2022
	£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)**

	Group		
	2022	Cashflows	2021
	£000	£000	£000
Cash and cash equivalents:			
Cash in hand	695	86	609
Loans and advances to credit institutions	126,317	(32,042)	158,359
	127,012	**(31,956)**	**158,968**
Borrowings:			
Amounts owed to credit institutions	(174,980)	(84,739)	(90,241)
	(47,968)	**(116,695)**	**68,727**

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 Remuneration Committee report on page 48.

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:

	2023	2022
	£000	£000
Rent paid to Austin Friars (Newport) Development Company Limited	(60)	(60)

The Society has an investment in Mutual Vision Technologies Limited, who hold a deposit with the Society as at the 30 April 2023 of £1,627k (2022: £1,821k).

Loans to Directors

There was an aggregate of £507k (2022: £529k) 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. Pension related matters and contingent liabilities

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

Contingent Liabilities

At 30th April 2023, the Group holds a pension liability of £3.5m (2022: £2.3m) which reflects management's best estimate of the present value of future cash flows required to settle its remaining obligations, based on analysis performed by a qualified actuary. See note 20 for further details.

During the year ended 30 April 2020, the Society closed its defined benefit pension scheme to new accrual. A legal review was conducted as part of the closure process, which identified two issues. The first issue related to the incorrect calculation of pensions, which did not consider the amendments to the pensionable earnings definition over time in the scheme's applicable governing trust deed and rules. This resulted in a one-off increase in the pension scheme liability of £1.1m within the 30 April 2020 Annual Report and Accounts. The second issue related to the original drafting of the scheme rules dating back to 1994. The directors considered the impact of this issue, and no adjustment was made to the liability as at 30 April 2020 or in subsequent periods to 30 April 2022, based on legal advice received that it was unlikely that an obligation would crystallise.

There still remains significant uncertainty in relation to the value of the Society's defined pension scheme liability resulting from the second issue as described above. While management intend to pursue all options available to them to ensure that the position is rectified, consideration has also been to the increasing probability that an obligation may crystallise following the most recent and updated advice given to the Society. This has been reflected in the £2m past service cost disclosed in note 20 (30 April 2022: contingent liability of £3.2m).

27. 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 2023 and 30 April 2022.

Annual Business Statement

1. Statutory Percentages

	Percentages at 30 April 2023	Statutory limit
	%	%
Proportion of business assets not in the form of loans fully secured on residential property (the "lending limit")	6.4	25
Proportion of shares, deposits and debt securities in the form of shares not held by individuals (the "funding limit")	23.4	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

	2023	2022
	%	%
As a percentage of shares and borrowings:		
Gross capital	5.41	5.14
Free capital	5.05	4.77
Liquid assets	17.75	18.12
As a percentage of mean total assets:		
Profit after tax	0.62	0.54
Management expenses	1.46	1.10
Cost income ratio	63.27	63.68

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
T E Leach	Chief Finance Officer	10.01.81	18.07.22
E L McKenzie	Chief Operating Officer	12.07.65	01.09.18
A D Morgan	Chartered Accountant	21.09.52	01.10.13
R D Turner	Asset Manager	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 Academies Trust Farm Africa Limited BnkPro Europe Ltd BnkPro Ltd
W J Carroll	Austin Friars (Newport) Development Company Limited
M Evans	Elevate B C Ltd Llansteffan Castle Ltd Cirencester Friendly Society
D Gunter	Monmouthshire Building Society Charitable Foundation
J M Bill	Pobl Group Limited
E.L McKenzie	Tended Ltd Brunel Pension Partnership Limited
A D Morgan	Power Poles Limited
R D Turner	F M Capital Partners Ltd

Officers Name	Occupation
W J Carroll	Chief Executive Officer
D M Gunter	Chief Operating Officer
T E Leach (Appointed 18.07.22)	Chief Finance Officer
J M Bill (Appointed 01.08.22)	Chief Risk Officer
E Wilkins	Chief Customer Officer
S A Phillips	Community Bank Programme Director
M Garrett (Appointed 19.09.22)	Chief Technology and Innovation Officer

At 30 April 2023, W J Carroll had a service contract which is terminable by the Society by giving 12 months' notice.

D M Gunter, T E Leach 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	Simon Thompsett Associates Limited 40 Church Street, NP13 1DB	Tel: 01495 220003
Cardiff	Simon Thompsett Associates Limited 40 Church Street, NP13 1DB	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	Brooking, Ruse & Co. Limited 108 High Street, Bristol, BS20 6AJ	Tel: 01989 764183
Usk	M2 Estate Agents 17 Bridge Street, NP15 1BQ	Tel: 01291 673347


DELL

Monmouthshire
Building Society

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

@monmouthshirebs @monmouthshirebs @monmouthshireBS

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

AR&A23 (07/23-1)