

intouch 2018

Keeping you up to date with your Society



 **Monmouthshire**
Building Society

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

Tel: 01633 844 444 www.monbs.com

www.twitter.com/monmouthshirebs www.facebook.com/monmouthshirebs

Monmouthshire Building Society is authorised by the Prudential Regulation Authority, and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register Number: 206052

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INSIDE

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Welcome

I would like to take this opportunity to invite you to attend the Society's 149th Annual General Meeting, which is due to take place at Rodney Parade, Newport, on Wednesday 22nd August 2018, at 11.00am.

There will be an opportunity for members to put their questions to the Board at the meeting, but if you are unable to attend, or would prefer, you're welcome to submit written questions in advance (please see page 10 for further details).

As always, you can vote in person at our AGM, at any branch or agency office, online through our scrutineer's website, or you can complete and return the Proxy Voting Form. For every valid voting form the Society receives (paper or online), we will donate 20p to Alzheimer's Society Cymru, our Charity of the Year for 2018/19.

To help the Society further benefit our members in the future, we are delighted to offer those who return a copy of the enclosed questionnaire a chance to win a night's stay at the Celtic Manor with an evening meal and breakfast included (see page 10 for more details).



Debra Lewis
Chairman



Our transformation continues

We're currently undergoing an exciting transformation, and we're excited to share this with you, our members.

We shared the news with our members at last year's AGM that the Society would be undergoing an exciting transformation programme. A lot has happened since last year's AGM, and we're excited to update you on what changes we've made, and what's to come.

In July of this year we launched our new website, which we hope will provide a more user-friendly, efficient and engaging online experience for members.

We have also started to take the new look into our branches, ensuring

our brand presence stretches from Chepstow in the east across to Swansea in the west. The first branch to have its makeover was our Handpost Branch, Newport. You'll see more being transformed in the coming months.

The Society's biggest statement of intent came when we signed a three-year deal in August 2017 to become the main sponsors of professional rugby club, the Dragons. The partnership with the Dragons has given the Society the opportunity to promote the brand to a wider audience, and help the Society engage with the surrounding communities. Since the announcement of our partnership, the Society has looked to push the new brand out throughout the club, appearing in

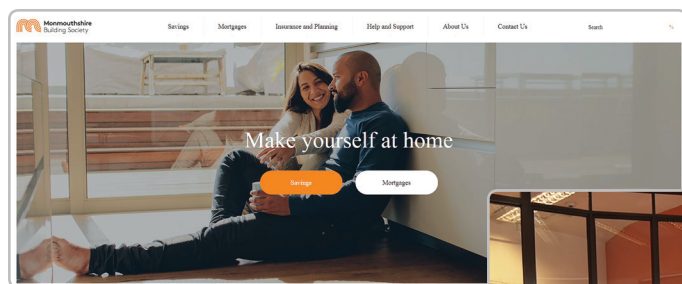
match day programmes, alongside the pitch and on a wider scale at this season's Judgement Day. The Society will continue to build on our sponsorship by engaging with the club's community team.

The Society has a strong heritage, built upon 149 years of serving our local communities with savings and mortgages, but there is a need to keep pace with an ever-evolving, competitive financial services market. We will be celebrating our 150th Birthday in 2019, and will be looking to our surrounding communities to celebrate with us.

With the development of our website and our new modern, vibrant branding, the Society has put itself in good stead to become the financial services provider of choice for our communities for the next 150 years.

For members left questioning the fate of the Society's squirrel following last year's AGM, well...

...the squirrel will still be present within the Society, but has stepped out of the spotlight to focus on our savings accounts.



Society commended at Moneyfacts Awards

The Society is proud to have been commended in the category of Regional Lending Provider of the Year at this year's Moneyfacts Awards, which was held at the Tower of London in June.

communities throughout our region and provide the highest quality of service and great value to all of our members.

The awards are held annually, and look to celebrate banks' and building societies' successes throughout the year.

"This commendation comes at a time where the Society is looking to strengthen its position in the community with our soon to be launched rebranding and new website, but despite the changes to our appearance we still hold on to the values that have seen us serve our members for 150 years, and with recognition such as this, it stands us in good stead to be here for another 150."

Commenting on the achievement, Will Carroll, Chief Executive Officer, said: "To be commended in such a competitive field is a great achievement. As a regional building society, we look to support the local

Community news

We believe it's important for us to give back to the community and support local charities and organisations. The Society's reach into the community branches out through our Charity of the Year and Charitable Foundation, which helps raise the profile of local groups, charities and organisations.



Alzheimer's Society Cymru announced as Society's Charity of the Year 2018/19

We are proud to announce that Alzheimer's Society Cymru will be the Society's Charity of the Year for 2018/19. Fundraising for the charity has already begun, with an array of engaging events having taken place since the announcement in May.



Founded in 1979, Alzheimer's Society provides support to people in the UK living with dementia, their families, friends and carers, and has over 3,000 local support service centres across the UK. With more than 850,000 people living with dementia in the UK, 42,000 living in Wales, the charity has committed to investing £150 million on cutting-edge research over the next decade.

Colleagues come together to raise over £9000 for local animal sanctuary



In May of 2017, the Society named All Creatures Great and Small Sanctuary as its Charity of the Year for 2017/18. Thanks to the amazing efforts of colleagues from across the Society including raffles; marathons and 10k's; and many food themed events, we were able to present the Sanctuary with a cheque for £9,520.

The Sanctuary, located in Llanfrechfa, has been providing shelter to neglected, abused and abandoned animals for over 20 years, and has over 100 'resident' animals, ranging from cats and dogs to ducks, chickens and guinea pigs.

Business in the Community

Colleagues from the Society's Marketing Department took part in a Business in the Community volunteer day at a local primary school in Newport, in February.

The Society is always actively looking for new opportunities to support our surrounding local communities, and Business in the Community provides the perfect opportunity to extend our reach.

Pupils from Tredgar Park Primary School, Duffryn, were part of a fun, engaging day which taught pupils all about budgeting and finding the balance of saving and spending.

**BUSINESS
IN THE
COMMUNITY**

Society presents cheque for over £19,000 thanks to Affinity Accounts

The Society presented cheques to two Welsh charities, thanks to ongoing partnerships forged through our Affinity Instant Account.

Wales Air Ambulance and Sparkle have received £11,871.86 and £8059.59 respectively, thanks to Society members choosing to support their chosen charity through our Affinity Instant Account partnerships.

Dawn Gunter, the Society's Chief Operating Officer, said: "As a regional building society, it's important that we actively support our local communities. Without support from the public, Wales Air Ambulance simply couldn't exist, but the partnership enables supporters of Wales Air Ambulance to help raise extra funds really easily.

"The Society is proud to offer the charity a sustainable financial commitment through our Affinity Instant Savings Account and in doing so, we aim to further strengthen their provision of an essential, lifesaving service that stretches across Wales."



Charitable Foundation roundup

Throughout the year, the Society's Charitable Foundation has supported many local charities, organisations and groups across South Wales.



Monmouthshire Upcycle

Monmouthshire Upcycle were awarded £500 funding to purchase tools and equipment to further support their ever-growing volunteer base. The tools will be used by volunteers to re-build and upcycle donated furniture which will then be sold from the charity's warehouse in Chepstow.



Music in Mind

Music in Mind were awarded £429, which was used to purchase a new projector and screen. Both items will be used to support members of the public to promote music as an aid to public health and well-being, learning and creativity.



Marches Family Network

Marches Family Network were awarded £244.68 which was used to purchase new sensory equipment for children and young people with multiple and profound disabilities.



Clevedon Canoe Club

Clevedon Canoe Club were awarded £490 which was put towards the purchase of two new kayaks. The two new kayaks will allow club members of all abilities to increase their confidence in difference kayaks.

Customer feedback



Since our doors opened in 1869, we have served the local communities as a mutual building society. Being a mutual building society means that we exist to serve our members, and your feedback helps the Society shape everything we do. To help the Society continue to provide you with the best products and services, we invite you to complete the enclosed questionnaire and return it in the pre-paid envelope. Alternatively, you can complete the questionnaire by visiting www.mymonbsvote.co.uk.

All questionnaires returned by Wednesday 22nd August will be automatically entered into a prize draw to win one of the three following prizes:

1st PRIZE: One night stay in the Celtic Manor Hotel, Newport, with dinner and breakfast

2nd PRIZE: Spa Day with light lunch at Bryn Meadows Hotel & Spa, Maesycwmmwr

3RD PRIZE: High Tea at the Angel Hotel, Abergavenny

Remember, your vote is important to us!

The Society operates to benefit you, our members, and we actively encourage you to take an active interest in your Society. Please remember to vote for the proposed resolutions outlined in the Proxy Voting Form .

You can register your vote in many ways:

- You can vote in person at our AGM,
- At any of our branch or agency offices,
- Alternatively, you can complete the Proxy Voting Form and return by freepost.

For every valid Proxy Voting Form received (paper and online), the Society will donate 20p to our Charity of the Year for 2018/19, Alzheimer's Society Cymru.



Ask a Question at our AGM

If you'd like to ask a question at our AGM, but can't attend in person, we welcome written questions in advance of the meeting. You can submit your question two ways, email us at agmquestions@monbs.com or write to: **The Secretary, AGM Questions, Monmouthshire Building Society, Monmouthshire House, John Frost Square, NP20 1PX.** All questions must be submitted to us by **5:00pm on Friday 17th August 2018.** Members must provide their name and address in order for us to confirm their eligibility to ask a question.

Notice of Annual General Meeting

Notice is given that the 149th Annual General Meeting of the members of Monmouthshire Building Society will be held at the Business Suite, Rodney Parade Rugby Ground, Newport, South Wales, on Wednesday 22nd August 2018 at 11.00am for the following purposes:

The Board considers that all resolutions are in the best interests of the Society and its members as a whole and recommends that you vote in favour of these resolutions.

Ordinary Resolutions

1. To receive the Auditors' Report, Directors' Report, Annual Accounts and Annual Business Statement for the year ended 30th April 2018.
2. To appoint KPMG LLP as auditors until the conclusion of the next Annual General Meeting.
3. To approve the Directors' Report on Remuneration for the year ended 30th April 2018.

Election/Re-election of Directors

4. To elect/re-elect the following as directors:
 - a) To re-elect William J Carroll
 - b) To re-elect Debra Lewis
 - c) To elect Iwan Jones
 - d) To elect Dawn Gunter

Other

5. To transact any other business permitted by the Rules of the Society.

By Order of the Board

Allison Currie

Company Secretary
28th June 2018

Notes

1. These Notes form part of the Notice of Meeting.
2. Under the Society's Rules, a member entitled to attend the Meeting and vote may appoint one proxy to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy, and your proxy does not have to be a member of the Society. Your proxy may vote for you at the Meeting but only on a poll. A poll is a formal vote, which may take place after an initial vote by a show of hands. Your proxy may not speak at the Meeting except to demand or join in demanding a poll.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the Proxy Voting Form.
4. The voting date is the date of the Meeting - Wednesday 22nd August 2018 if voting in person, or Friday 17th August 2018 if voting at any of our branch or agency offices, online or by post.
5. In order to attend and vote at the Meeting, or appoint a proxy, you must qualify as either a shareholding member or a borrowing member.

Shareholding Members

- To qualify as a shareholding member, you must:**
 - (i) if you are an individual, be at least 18 years old on 22nd August 2018, and
 - (ii) have held shares to the value of not less than £100 in the Society on 30th April 2018, and
 - (iii) not have ceased to hold a share or shares in the Society at any time between 30th April 2018 and the voting date, and
 - (iv) hold a share or shares in the Society on the voting date.
- (b) Where the shares are held jointly by two or more persons, only the first named in the records of the Society in respect of those shares can have any voting rights.

Borrowing Members

- To qualify as a borrowing member you must:**
 - (i) be at least 18 years old on 22nd August 2018, and
 - (ii) have owed the Society not less than £100 in respect of a mortgage debt on 30th April 2018, and
 - (iii) owe the Society not less than £100 in respect of a mortgage debt on the voting date.
 - (b) Where a mortgage debt is owed jointly by two or more persons, only the first named in the records of the Society in respect of that mortgage can have any voting rights.
6. In addition, you can vote only once as a member, irrespective of:
 - (a) the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee), and
 - (b) whether you qualify to vote as both a Shareholding Member and a Borrowing Member.
 7. Members attending the Meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. Please also bring the Proxy Voting Form with you. If you are appointing a proxy, other than the Chairman of the Meeting, to attend the Meeting and vote on your behalf, please ensure that your proxy brings an appropriate form of identification to the Meeting.

If you appoint a proxy to vote on your behalf and your proxy does not attend the meeting, your vote will not be counted.

Monmouthshire Building Society Annual General Meeting 2018



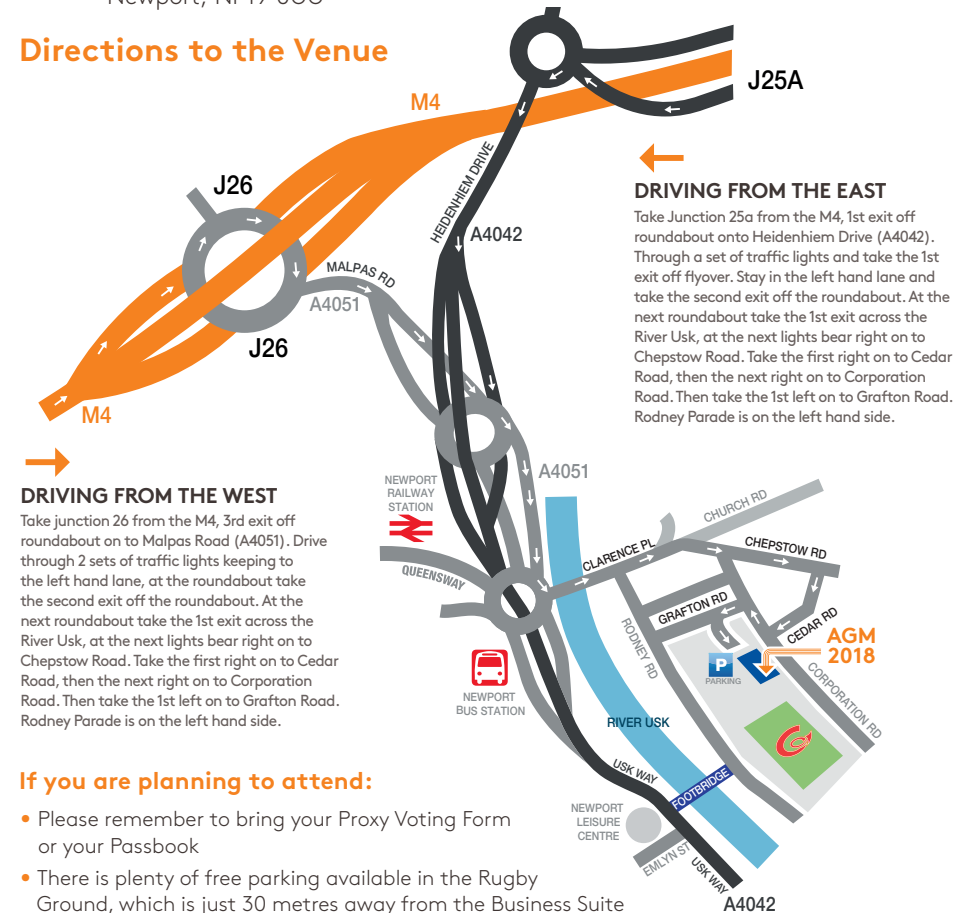
AGM 2018

Date: Wednesday 22nd August 2018

Time: 11.00am

Venue: The Business Suite, Rodney Parade Rugby Ground, Newport, NP19 0UU

Directions to the Venue



If you are planning to attend:

- Please remember to bring your Proxy Voting Form or your Passbook
- There is plenty of free parking available in the Rugby Ground, which is just 30 metres away from the Business Suite
- The doors open at 10.30am to allow for registration prior to the meeting starting at 11.00am
- The venue and meeting room have wheelchair access
- Tea, coffee and refreshments will be provided
- Any questions, please call us on 01633 844 444

Director Profiles 2018

Debra Lewis Chairman

Debra joined the Board in 2014. She is the Chairman of the Nominations & Corporate Governance Committee and serves on the Risk Committee. Debra succeeded Haydn Warman as Society Chairman on 12th April 2018.

Debra is an independent member of several investment committees for Rothschild & Co. She qualified as a Chartered Accountant with Ernst & Young and worked with them in both London and Sydney. She then spent over 18 years in the City with Rothschild & Co, initially in internal audit and then held a variety of roles in lending, debt advisory and latterly as Head of Credit, overseeing lending activities before assuming her current role as a Consultant.

Debra grew up in South Wales, is a Fellow of the Institute of Chartered Accountants in England and Wales, and holds an LLB law degree from University College Cardiff.



Debra Lewis

Tony Morgan Vice Chairman and Non-Executive Director

Tony was appointed to the Board in 2013. He was appointed Vice-Chairman of the Board in August 2016 and is Chairman of the Audit Committee. He also serves on the Remuneration Committee.

Tony previously worked for PricewaterhouseCoopers (PwC) as Senior Partner in Wales and Deputy Chairman of the Wales and West Region. He spent nearly 33 years with PwC including 22 years as a partner of the firm. 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 Law Firm as Chairman of the Audit Committee and as an independent adviser as well as being a non-executive director of Power Poles Ltd.

Tony is a Fellow of the Institute of Chartered Accountants. He has a substantial experience in accountancy and audit matters.



Tony Morgan

Nina Hingorani-Crain Senior Independent Director and Non-Executive Director

Appointed to the Board in August of 2015, Nina has been nominated by the Board for the role of Senior Independent Director, and awaits regulatory approval. She serves on the Audit and Remuneration Committees.

After graduating from King's College London with an LLB Honours degree, and from the Sorbonne Paris with the French equivalent, she qualified as a Chartered Accountant. She also recently completed the Financial Times Non-Executive Director Advanced Diploma.

Nina has 20 years' experience in the financial services sector and brings a wide range of knowledge in conduct and consumer areas to the Board. She began her career in Ernst & Young's Corporate Finance practice, and during her 5 years there advised a number of building society clients. She was subsequently recruited to join the former Financial Services Authority ("FSA") and, in her 10 years working with the regulator, undertook a variety of roles some requiring security clearance at the UK's highest level. She initially worked in International Strategy, representing the FSA globally alongside supranational bodies including the IMF and World Bank. This was followed by senior management positions, as the Chairman's Principal Private Secretary during the global financial crisis and subsequently as Chief of Staff leading the demerger of the FSA and the creation of the new Financial Conduct Authority ("FCA"). Whilst at the FCA, Nina also undertook a six month strategic secondment to Age UK to inform the regulator's strategy of placing consumer needs at the heart of its mandate.

Nina is also a Non-Executive Director and on the Boards of one of the UK's longest established GP cooperatives, and a multi-award winning social enterprise delivering innovative children's services. She combines her non-executive responsibilities with charitable work focused on children.



Nina Hingorani-Crain

Director Profiles 2018 Continued

Roger Turner Non-Executive Director

Roger was appointed to the Board in September 2015. He is Chairman of the Remuneration Committee and serves on the Audit Committee.

Roger has some 30 years' experience in the financial services sector, most recently as the Head of Group Capital and Treasury at Schroders plc and now Chief Executive of an asset management firm in London and a non-executive director of Shepherds Friendly Society based in Cheshire. 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. He holds a BA (Hons) in Business Studies and an MBA in Finance from City University Business School.

Outside of work, he is a keen golfer and runner having completed both the London and Brighton marathons.

Roger has considerable wide ranging experience in the financial services sector including Treasury, Corporate Finance and regulatory matters.



Roger Turner

Trevor Barratt Non-Executive Director

Appointed to the Board in July 2016, Trevor serves on the Risk and Nominations & Corporate Governance Committees. He will succeed Debra Lewis as Chairman of the Risk Committee.

Trevor has more than 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, 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, prior to taking up his current role. He is the Quality Director at Fairbanking Foundation. He is a non-executive director of a private bank, with an international clientele.

Outside of work, he has a keen interest in football and walking and supports a number of charity fundraising endeavours.

With extensive experience across both small and large entities, Trevor is a specialist in risk, and his experience spans business risk, governance, and fighting financial crime. 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. He is also a member of the International Compliance Association, and the Chartered Institute for Securities & Investment. Trevor also holds the FT Advanced NED Diploma.



Trevor Barratt

Executive Directors

William Carroll Chief Executive 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. Away from the office, Will lives in Neath with his wife and three children.

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 14 years and in that time has been responsible for various departments including Finance, Treasury, Customer Services and Arrears. He is also a trustee of the Society's Charitable Foundation. Will is the Society's representative on the Board of Mutual Vision Technologies, a technology company that designs software platforms for building societies.

Will is a Fellow of the Institute of Chartered Accountants. He has an in depth knowledge of the Society and the building society sector, and significant experience in financial management.



William Carroll

Iwan Jones Finance Director

Iwan has worked with the Society since July 2017. He was appointed to the Board as Finance Director on 1st April 2018 and is responsible for the Financial Control, Middle Office and Treasury functions within the Society. He is a Board Member of Cardiff Community Housing Association and Chair of their Audit Committee.

Iwan started his career with Touche Ross (now Deloitte) and held various Finance and Risk roles in financial services organisations both in the UK and overseas including Lloyds TSB, Saffron Building Society, Principality Building Society, Barclays, JPMorgan Chase and Nat West

Iwan has 28 years experience within Risk and Finance. He is a member of the Institute of Chartered Accountants in England & Wales and has considerable broad-based experience in financial management including business development, strategy, corporate finance, product development and risk management.



Iwan Jones

Dawn Gunter Chief Operating Officer

Dawn joined the Society in September 2017 initially as Director of Distribution before she moved into the role of Chief Operating Officer. She was appointed to the Board in February 2018. Dawn is responsible for the Operations within the Society and for Distribution. In her spare time Dawn enjoys reading, skiing and European travel.

She was most recently Head of Operational Strategic Design & Delivery at Sainsbury's Bank and before that she held the role of Head of Mortgage Operations. She was contracted for 16 months with the Welsh Government on Executive Projects to create a culture of continuous improvement, drive change and deliver business efficiencies. Dawn spent 11 years with Principality Building Society in various roles including the Head of Direct Channels and Head of Sales Operations. She has worked in Legal & General's mortgage division and Bank of Wales Plc.

Dawn has 28 years experience within financial services, a wide breadth of knowledge across all distribution channels with success delivering a direct to consumer sales and service proposition via telephone and online, preceded with delivery of a business to business model to the Intermediary market and most recently, building an outsourced sales and service business.



Dawn Gunter

Summary Financial Statement

for the Year Ended 30 April 2018

Summary Directors' Report

The Directors have pleasure in presenting the Summary Financial Statement of the Group for the year ended 30th April 2018. The financial statement is a summary of information contained in the audited Annual Report, Directors' Report and the Annual Business Statement all of which will be available to members and depositors free of charge on demand at every office of the Monmouthshire Building Society from 8th August 2018.

2018 Highlights

Results	2018	2017	2016	2015	2014
Growth					
Total assets (£ millions)	1,059.1	1,053.8	1,073.5	1,047.9	975.6
Lending					
Gross new lending (£ millions)	185.5	141.2	139.1	181.4	157.0
Net lending (£ millions)	31.0	5.2	4.0	65.5	60.9
Net Interest Margin %	1.51	1.45	1.45	1.38	1.35
Capital					
Capital ratio (% Risk Weighted Assets)	16.88	16.11	14.72	13.45	13.06
Profitability					
Profit after tax (£ millions)	3.2	4.6	6.4	4.7	4.0
Profit after tax ratio (% mean total assets)	0.30	0.43	0.60	0.47	0.43
Management expenses ratio (% mean total assets)	1.16	0.93	0.75	0.67	0.67
Cost income ratio (%)	73.68	64.14	50.37	50.00	49.65

Our business model

Monmouthshire Building Society is a strong, regional building society which is primarily focused on providing residential mortgages and is funded substantially by members' savings accounts. It has a proud mutual heritage, playing an important part in our communities.

Our vision

To build a unique and exciting Society by inspiring and empowering our colleagues to maximise growth and future prosperity. We aim to deliver an ambitious strategy underpinned with member led propositions. Our profitability will be optimised rather than maximised to support investment in new initiatives that are innovative and exciting, helping delivery of the modern mutual the Society will become.

Our distinctiveness

The foundations for providing a distinctive customer proposition are:

- Our strong regional brand;
- Our member-focused culture; and
- Our financial security.

Our ambition to serve our members and local community runs through our culture and decision making and is key to ensuring we are building a safe and sustainable business that our members trust. Our values are at the forefront of everything we do:

Dynamic - We are modern in our approach which means that we are responsive and agile.

Community - We are local, with feeling. We are invested in our regions, and welcome customers to our branches with open arms.

Personal - We treat our members differently. We understand that each one has a different story, a different journey and different needs.

Quality - We are professional in our approach, with an eye for detail and a conscientious spirit. Members can expect responsible and reliable advice, brokers can expect a responsive and flexible service, focused on their needs.

Our competitive strengths

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

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

Our strategy

In July 2017, the Board committed to a five year strategy of achieving long term sustainable growth. This was underpinned by a number of strategic priorities based upon a range of scenarios that had been outlined by the Executive team. In light of stronger than budgeted financial and non-financial performance in year one of the plan, coupled with the ever changing macro-economic environment, and the Executive restructure which took place in 2017, with a new Chief Executive Officer, Finance Director and Chief Operating Officer being appointed, the Society has modified its strategy for the remaining four year period of the strategic plan until 2022. Long term sustainable mortgage growth remains a key priority, however growth targets have been increased to capitalise on the infrastructure enhancements that have already been delivered. This will allow more members to benefit from mutuality whilst better utilising the increased cost base without compromising regulatory and operational demands.

Approach

We will utilise the advantages of our mutual status to provide mortgage and savings products on the most competitive terms compatible with prudent management and financial security.

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

Lending

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

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

- Continue to offer low rates and compete on price for its core residential products;
- Serve its broader community base by offering a wider selection of other lending products, including first time buyers, supporting new and existing members who are on a journey of rehabilitating their finances, lending into later life and buy-to-let products;
- Focus on delivering the highest quality service to its members and intermediaries.

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

Funding

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

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

Development of infrastructure

The Board recognises the need to further enhance the Society's operating infrastructure to provide operational resilience and an appropriate platform from which to grow and successfully compete in the digital age. Technology is central to much of what the Society delivers, its interactions with members and management of its products. Proliferation of technology is becoming more and more common given the demand from the marketplace and customer behavioural changes. However, given the pace of change and the interconnection of systems and suppliers the delivery of these services is becoming more complex. The Society will use sustainable technology to improve services and drive efficiencies,

supporting the long-term growth of the business and the ability to complete in the marketplace. Other key changes to infrastructure relate to:

People

Underpinning the development and successful execution of the Society's strategy are the people in the business, the culture and their values and capability. There has been significant investment in developing and sustaining the culture, which encourages the Society's core values to be central to business activities, with colleagues empowered to deliver their objectives and senior management ensuring that people are equipped to successfully perform their roles. Ongoing investment in training and resourcing will ensure that there is the right capability at all levels within the business to successfully implement the strategy.

Processes

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

Premises

Continued investment in our property portfolio will be made to ensure the Society has a working environment which is modern, fit for purpose and will serve the Society for the duration of the strategic plan and beyond.

Distribution

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

The branch and agency estate is the face of the Society, and remains a critical channel for distribution in the communities in which we operate. We will investigate opportunities to increase our branch presence in South Wales and other identified locations either inside or outside our core area. A digital proposition is essential to provide members with the choice to engage via digital means. Providing members with channels to enable them to own the choice of how they interact with the Society will be a key enabler in the delivery of our member led strategy.

In order to support our enhanced member propositions, our direct proposition will support our branch model and provide another channel to market by offering video conferencing and telephone engagement alongside the face

to face option within key branch locations. We will ensure the right resource is available at the right time to meet member demand.

With increasing regulation and the requirement for customer advice, the intermediary channel is crucial to fulfil the Society's growth ambitions. Intermediaries are the channel of choice for specialist advice and this channel complements our multi-channel approach. Maintaining and building strong relationships with key intermediaries will continue to be a key focus, improving business opportunity and reducing risk through network managed compliance functions.

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

Group income and expenditure account	2018 £000	2017 £000
Net interest receivable	15,914	15,362
Other income and charges: Continuing operations	768	69
Administrative expenses: Continuing operations	(12,290)	(9,898)
Loan loss provisions	(399)	193
Other provisions	(31)	15
Profit on ordinary activities before tax	3,962	5,741
Taxation	(763)	(1,176)
Profit for the year after tax	3,199	4,565

Group Financial Position at end of year	2018 £000	2017 £000
Assets		
Liquid assets	205,089	232,825
Mortgages	842,167	811,268
Fixed and other assets	11,795	9,735
Total assets	1,059,051	1,053,828
Liabilities		
Shares	770,091	816,089
Borrowings	220,875	170,448
Other liabilities	3,397	6,041
Reserves	64,688	61,250
Total liabilities	1,059,051	1,053,828

Summary of Financial Ratios	2018 %	2017 %
Gross capital as a percentage of shares and borrowings	6.53	6.21
Liquid assets as a percentage of shares and borrowings	20.70	23.60
Profit for the year as a percentage of mean total assets	0.30	0.43
Management expenses as a percentage of mean total assets	1.16	0.93

Independent Auditor's Report

Summary of financial ratios (Continued)

The gross capital ratio measures the proportion that the Group's capital bears to its liabilities to holders of shares, depositors and other providers of funds (investors).

The Group's capital consists of profits accumulated over many years in the form of reserves. Capital provides a financial cushion against difficulties that might arise in the Group's business and therefore protects investors.

Liquid assets as a percentage of shares and borrowings

The liquid assets ratio measures the proportion of the Group's assets held in the form of cash, short-term deposits and government securities bears to the Group's liabilities to investors.

Most of the Society's assets are long-term mortgages which cannot be converted quickly into cash, while many of its liabilities to investors are repayable on demand. Liquid assets are generally readily realisable, enabling the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

Profit for the year as a percentage of mean total assets

The profit/assets ratio measures the proportion that the Group's profit after taxation for the year bears to the average of its total assets during the year.

The Group needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors. However, a building society does not have to pay dividends to equity shareholders as a company does. The Society is therefore able to operate safely with lower profits than a bank and can generally provide better mortgage and savings rates.

Management expenses as a percentage of mean total assets

The management expenses ratio measures the proportion that the Group's administrative expenses bears to the average of the Group's total assets during the year.

Management expenses consist mainly of the costs of employing staff and of running the Society's branches, other office costs, advertising etc. Expenses need to be controlled so that the Group operates as efficiently as possible while providing the service that members require.

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

We have examined the summary financial statement for the year ended 30 April 2018 which comprises the Summary Group Results, Financial Position and Summary of Financial Ratios together with the Summary Directors' Report.

This report is made solely to the Society's members, as a body, in accordance with section 76(5) of the Building Societies Act 1986. Our 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, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

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

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

Basis for Opinion

Our examination involved agreeing the balances and disclosures in the summary financial statement to the Group and Society's full financial statements. Our report on the Group and Society's full financial statements describes the basis of our audit opinions on those financial statements.

Opinion

In our opinion the summary financial statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of Monmouthshire Building Society for the year ended 30 April 2018 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Deloitte LLP

Statutory Auditor
Cardiff, United Kingdom

28th June 2018

Approved by the Board of Directors on 28th June 2018.



Debra Lewis



William Carroll



Iwan Jones

Directors' Remuneration Report

On behalf of the Board, I am pleased to present the Remuneration Committee's 2017/18 Report which sets out our Remuneration Policy and provides for our members details of the basic salary, variable pay and benefits earned by directors in the year to 30th April 2018. The Board is committed to best practice in its remuneration policy for directors and in the interests of transparency it has included an advisory vote at the Annual General Meeting on the Directors' Remuneration Report set out below. The directors' remuneration for the year is as follows:

	Fees & salary	Performance related incentive scheme	Increase in accrued pension/pension contribution	Taxable benefits	2018 Total	2017 Total
2018	£000	£000	£000			
Non-Executive Directors:						
H Warman	70	-	-	-	70	55
T Barratt	31	-	-	-	31	26
D J Burgess	-	-	-	-	-	9
N Hingorani-Crain	31	-	-	-	31	30
D R Lewis	39	-	-	-	39	37
A D Morgan	39	-	-	-	39	38
D C Roberts	-	-	-	-	-	8
R D Turner	35	-	-	-	35	33
Executive Directors:						
A M Lewis	-	-	-	-	-	242
J Bawa (Resigned 31 July 2017)	167*	-	8	3	178	125
W J Carroll	189	27	28	5	249	178
D Gunter (Appointed 08.03.2018)	24	10	2	2	38	-
I Jones (Appointed 01.04.2018)	13	-	1	2	16	-
P Leader (Resigned 19.02.2018)	81	-	2	8	91	138
	719	37	41	20	817	919

Executive Directors are members of the Society's defined contribution pension scheme.

* J Bawa resigned as a Director on 31 July 2017. The amount shown above includes £79k of contractual payments following his resignation.

Loans to directors

At 30th April 2018, one director (2017: one director) or persons connected with directors had mortgage loans granted in the ordinary course of business totalling £217K (2017: £223K). A register containing details of loans and transactions between the Society and its directors may be inspected at the Society's Head Office, during normal office hours, in the period of fifteen days expiring on the date of the Annual General Meeting, or at that meeting.

Executive Directors' emoluments

The level of remuneration for Executive Directors is reviewed each year. The Society's remuneration policy is to reward Executive Directors through salaries and other benefits, including an incentive scheme designed to recognise the achievement of corporate objectives. Reward packages include basic salary, an annual incentive payment, benefits in kind and pensions. Payments made as a result of the annual incentive scheme are not pensionable.

Basic salaries

Basic salaries are normally reviewed annually by reference to performance, jobs carrying similar responsibilities in comparable financial organisations and in the light of market conditions generally.

Incentive scheme

For the year to 30th April 2018, the scheme was designed to deliver a maximum award of up to 20% of basic salary, following finalisation and approval of the accounts. The annual incentive scheme is linked to key corporate performance measures such as the achievement of financial or regulatory compliance targets (e.g. in relation to growth and efficiency), combined with demonstration of appropriate behaviours in line with the Society's performance management process.

Pensions and other benefits

Executive Directors are contributory members of the Society Stakeholder pension scheme. Executive Directors are eligible to receive other optional taxable benefits including a car and healthcare provision. They are also eligible to receive concessionary mortgage facilities on terms which are available to all staff. The Corporate Governance Code recommends that an Executive Director's service contract notice period should be set at twelve months or less. The Society meets this requirement. The Chief Executive Officer is subject to a notice period of twelve months. Other Executive Directors are subject to a notice period of six months.

Non-executive directors' remuneration

The fees for Non-Executive Directors were determined by the Executive Directors and the Chairman. The Chairman's remuneration is determined by the Committee in the absence of the Chairman. Additional fees are paid to the Vice Chairman, Senior Independent Director and the Risk, Remuneration and Audit Committee Chairmen to reflect their increased responsibility. The level of fees is regularly compared with fees for Non-Executive Directors' remuneration in comparable organisations. There are no bonus schemes or other benefits for Non-Executive Directors and they are not entitled to any pension. They are subject to written terms and conditions of employment and to re-election every three years in line with the Society Rules. After nine years they are subject to annual re-election in line with best corporate governance practice.

Roger Turner
Remuneration Committee Chairman

28th June 2018

Society Values



Dynamic

We are modern in our approach which means that we are responsive and agile.



Community

We are local, with feeling. We are invested in our regions.



Personal

We treat our members differently. We understand that each one has a different story, a different journey and different needs.



Quality

We are professional in our approach, with an eye for detail and a conscientious spirit.

Board of Directors and officers

Chairman	D R Lewis LLB (Hons) FCA
Vice Chairman	A D Morgan BSc (Hons) FCA
Non-Executive Director	T Barratt MBA, FT Post Dip NED, ICA Post Dip AML, Post Dip Fin, Dip FS, ACIB
Chief Executive Officer	W J Carroll BSc (Hons) FCA
Chief Operating Officer	D Gunter
Non-Executive Director	N Hingorani-Crain LLB (Hons), Maitre en Droit (Sorbonne), ACA
Finance Director	I Jones BSc Econ (Hons) ACA
Head of Risk & Compliance	D Mollison BA (Hons) SIRM
Non-Executive Director	R D Turner BA(Hons.), MBA