

# melton matters

for the members of melton mowbray building society - spring 2016



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the melton  
building society

Celebrating

140  
years

Est. 1875



**Martin Reason**  
Chief Executive

# Welcome to the Spring 2016 edition of Melton Matters

Inside this issue you will find a financial summary for 2015. Your Society continues to deliver strong financial results with further improvements made in profitability and balance sheet growth. We are also investing in the future, making improvements to our branches and developing our core systems to support improved customer service and operating efficiency.

As a member owned business, we recognise that alongside financial strength you expect us to provide savings and mortgage products which you would happily recommend to your friends and family – I am delighted to report the excellent progress we are making in delivering great value products evidenced by our regular appearance in national best buy tables.

We look forward to continuing to provide outstanding products and service to our members in 2016.

Many thanks for your continued support.



**themelton**  
building society

Celebrating

140  
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Est. 1875

# The Melton Celebrates 140 Years of Service

The Society's 140th birthday was on 30 September 2015 and our celebrations began with a charity balloon race when 500 balloons were released at our Melton branch. The winning balloon was found across the Irish Sea in Galway, Ireland!

The event also marked the launch of our newly refurbished branch in Melton which now incorporates a meet and greet desk and an area for customers to relax. "Over the last 140 years we've helped 1,000s of people onto the housing ladder, save for their future and supported our local community. We have only been able to achieve all these things due to the loyal support of our members and our professional staff," said Martin Reason, Chief Executive, the Melton. "The Society remains as committed to providing first class personal service and competitive mortgage and savings products as it was 140 years ago."



## Notice of Annual General Meeting

Notice is hereby given that the 140th Annual General Meeting of the Melton Mowbray Building Society will be held on 27 April 2016 at the Melton Mowbray Baptist Church, Leicester Road, Melton Mowbray, Leicestershire, LE13 0FA at 6.00pm for the following purposes:

- 1) To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2015.
- 2) To receive the Auditors' Report for the year ended 31 December 2015.
- 3) To receive and accept the Directors' Remuneration Report as set out in the Annual Accounts.
- 4) To re-appoint KPMG LLP as Auditor.
- 5) To appoint the following Board Candidates:
  - i) To elect Mrs Lorraine Caroline Alldritt
  - ii) To re-elect Mr Kenneth Owen Romney
  - iii) To re-elect Mr Alan Leslie Craft

By order of the Board of Directors

**A Bourne**  
Society Secretary

**21 March 2016**

# 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 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 these instructions and any on the proxy form itself. If voting by proxy, the voting date is 25 April 2016.
- 4) The voting date is the date of the Meeting – 27 April 2016.
- 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

- (a) To qualify as a shareholding member, you must:
  - (i) if you are an individual, be at least 18 years old on 27 April 2016, and
  - (ii) have held shares to the value of not less than £100 on 31 December 2015, and
  - (iii) not have ceased to hold a share or shares at any time between 31 December 2015 and the voting date, and
  - (iv) hold a share or shares 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

- (a) To qualify as a borrowing member, you must:
    - (i) be at least 18 years old on 27 April 2016, and
    - (ii) have owed 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. 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, your vote will not be counted.**

# Information on Candidates for Election as a Director



**Lorraine Alldritt**  
BA Combined Honours (D.O.B. 8 May 1961)

I was appointed to the Society's Board of Directors in May 2015.

My previous career includes marketing, buying, research and consultancy roles in retail companies including Marks & Spencer and Tesco. I more recently worked as the Marketing Director for Oakham School and continue to enjoy living locally in Rutland.



**Mr Alan Leslie Craft**  
MA (D.O.B. 25 September 1947)

I am a career banker with experience in various parts of the world. My specialisation has been risk management in both credit and operational risk. I joined the board of the Melton in June 2013. I am also now a partner in a consultancy that reviews the effectiveness of employee engagement and an advisor to a firm that assesses very long term economic trends and their impact on businesses and governments.

I am married with two sons and five grandchildren.



**Mr Ken Romney**  
BA, FCA, (D.O.B. 22 March 1951)

I am a Fellow of the Institute of Chartered Accountants in England and Wales. Following 10 years' audit experience in the UK and overseas, I have worked in Financial Services for over 30 years. I have had 10 years' recent experience as Finance Director of Chesnara plc., a successful life and pensions group listed on the London Stock Exchange and intend to continue to work within Financial Services by taking on a small number of Non-Executive Board positions within PRA/FCA regulated companies, where I can utilise my experience in Corporate Governance, Risk and Compliance. I am Chairman of the Audit and Compliance Committee.

# Summary Financial Statement 2015

This financial statement is a summary of information in the audited annual accounts, the Directors' report and annual business statement, all of which will be available to members and depositors free of charge on demand at every office of Melton Mowbray Building Society from 31 March 2016 and at [www.themelton.co.uk](http://www.themelton.co.uk).

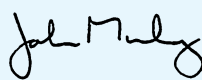
Approved by the Board of Directors on 9 March 2016 and signed on its behalf by:



**A L Craft**  
Chairman



**M J Reason**  
Chief Executive



**J P Mulvey**  
Deputy Chief Executive  
& Finance Director

## Summary Directors' Report

The Directors are pleased to present their Summary Financial Statement of the Society and its subsidiary undertakings (together the 'Group') for the year ended 31 December 2015.

As set out below in this report, the Group has adopted International Financial Reporting Standards as adopted by the EU (IFRS) in this year's annual accounts and this has impacted items in the Income Statement and Statement of Financial Position due to changes in accounting policies from those used previously. Accordingly, the comparative financial information is different from that previously reported.

### Business Objectives

The principal business objective is to provide multi-channel mortgage finance, savings products and personal financial advice within the framework of a strong mutual building society, focused on the needs of its customers and supporting its local communities that are served by its network of market town branches.

### Key Performance Indicators

Group	2015	*2014	2013	2012	2011
Loans and advances to customers (£m)	313	300	296	289	273
Retail shares and deposits (£m)	332	333	325	325	300
Total assets (£m)	389	390	388	394	367
Gross capital (£m)	35.1	32.9	32.0	31.1	31.2
Profit before tax (£m)	1.57	1.09	1.01	0.39	0.61
Net interest margin as a % of mean total assets	1.36%	1.24%	1.04%	0.85%	0.95%
Management expenses as a % of mean total assets	1.23%	1.11%	1.01%	0.98%	0.86%
Gross capital as a % of shares and borrowing	9.99%	9.29%	9.03%	8.61%	9.32%
Liquid assets as a % of shares and borrowing	17.13%	21.08%	22.20%	25.44%	24.19%
Total mortgage arrears (£m)	0.18	0.25	0.34	0.41	0.46

\* KPIs for 2014 have been restated following adoption of IFRS; KPIs for 2011-2013 remain under UK GAAP.

## **Business Review**

### ***Group Overview***

The Group has continued to make good progress this year, recording a profit before tax of £1.57m (2014: £1.09m). Key highlights for the year include:

- Group mortgage assets increased by 4.3% to £313m;
- Group net interest margin increased to 1.36% from 1.24%, aided by a reduction in funding rates during the year;
- Management expenses as a % of mean total assets increased to 1.23% from 1.11%, largely due to an investment in staff both in terms of increased staff numbers and increased remuneration, with a view to improving customer service and processing capacity;
- Investment made in infrastructure improvements, including IT mortgage processing capability with a new online service for intermediaries in development for release in Summer 2016 and the re-design of the Society's Melton branch during the year to promote an advice based customer environment;
- Total mortgage arrears reduced by 28% to £0.18m which, in addition to increasing house prices and recoveries of £0.1m made against losses incurred in prior years, contributed to a release of impairment provisions of £0.3m;
- The Society acquired the remainder of its specialist lending services entity resulting in a gain on acquisition of £0.1m; and
- Gross capital increased by £2.2m to £35.1m, as a result of the retained profit for the year and an increase in the Society's defined benefit pension scheme surplus.

The Group's financial position and its market competitiveness continued to improve during the year, demonstrated through attractively priced mortgage and savings products offered to Members. Margin returns have improved from new mortgage lending and arrears levels have further reduced. The Group achieved strong mortgage growth in the third and fourth quarters and ended the year with a healthy pipeline of new mortgage business to continue this momentum into 2016.

The Group grew its loans and advances to customers by £13m to £313m, with lending to self-build and shared ownership borrowers particularly contributing to the growth. This was funded by a reduction in liquid assets which remain at healthy levels – further details are set out in the Liquidity and Funding section below. As a result, total assets, retail shares and deposits and wholesale borrowing remained largely unchanged.

Our subsidiaries continue to progress in accordance with our operating objectives and have made a further useful contribution to Group profits. In December, we completed a transaction with Sesame Bankhall Group to return our specialist lending services entity to 100% Society ownership, resulting in a gain of £0.1m – this transaction is described fully in Note 16(c) of the annual accounts. In addition, the Directors agreed to reduce the processing activities of this entity and will take a decision in 2016 whether to continue mortgage processing for third party mortgage lenders.

The Group's profit after tax was £1.19m which has been transferred to reserves.

### ***Society Operations***

The Society's core operations produced an improved profit before tax of £0.79m (2014: £0.37m). The Society advanced £63m (2014: £56m) of new mortgages during the year, with total loans and advances outstanding at the year-end increasing by 5.8% to £275m (2014: £260m).

Residential mortgage arrears reduced during the year, while impairment provisions held by the Society at the end of the year to cover expected losses from residential mortgage assets remained low at £0.35m (2014: £0.32m). The Society received a one-off recovery of £0.10m during the year against mortgage losses incurred in a prior year. Provisions against potential losses in the Society's commercial lending portfolio remain at £0.48m (2014: £0.48m). At the end of the year, there were no mortgage accounts (2014: 1 account) in arrears of 12 months or more, with a balance outstanding of £nil (2014: £3,000) and arrears of £nil (2014: £1,000). In view of the low loan to value ratio of the arrears account in the prior year, there was no need to raise an individual impairment provision against it.

The Society continues to target retail savings for the majority of its funding requirements and at the end of the year held retail savings of £332m (2014: £333m) attracted using a number of branch and online based savings accounts.

In 2015 the Society commenced a new IT project to provide online mortgage application processing for its intermediary customers. The project has progressed well and remains on target for launch to broker customers in Summer 2016. The Directors recognise the importance of offering digital services to customers and expect this initiative to boost mortgage business and improve processing efficiency– a key component of our objective to control the Society's cost income ratio.

Administrative expenses increased by £0.5m during 2015, largely due to an investment in staff both in terms of increased staff numbers and increased remuneration, with a view to improving customer service and processing capacity. The costs of compliance with new regulation and increased IT spend also contributed to the increase.

In 2015 the Society further developed its strategic partnership with the Leicestershire & Rutland Wildlife Trust by donating £15,000 to provide a wildlife viewing facility at the Trust's new Volunteer Training Centre at Rutland Water. Supporting wildlife and the Trusts ties in with the Society's community ethos and its commitment to providing sustainable mortgages, affordable housing and encouraging responsible living.

The Melton Mowbray Building Society Charitable Foundation received £15,000 during the year from the Society to support its charitable giving plus a further £288 as a result of members' votes cast at the Annual General Meeting. The Society operates a number of affinity savings products, donating 0.25% of the average savings balances held throughout the year. Total affinity savings balances exceeded £9m at the year end and the affinity charitable donations in respect of the year amounting to over £33,000 will benefit the Melton Alms House Project, LOROS, HFT and the DLR Air Ambulance.

Many other good causes are supported by the Charitable Foundation and through our staff and members' donations, with The MMBS Charitable Foundation being chosen as the staff nominated charity for 2015. In addition, the staff and members have again shown considerable resourcefulness in raising funds for Children in Need, Marie Curie, Save the Children, Macmillan, Make a Wish and Breast Cancer Awareness.

### ***MBS Lending Limited***

MBS Lending Limited provides mortgage finance to customers who do not meet the criteria to become Society members. The business has continued to operate satisfactorily producing a profit before tax of £0.57m in 2015 (2014: £0.60m) with continuing improvements in credit quality being a notable feature of business performance.

During the year, the business advanced £5m (2014: £3m) of new mortgages, with total loans and advances to customers outstanding at the year-end of £38m (2014: £40m). Asset quality continues to improve with mortgage arrears reducing to £0.17m (2014: £0.23m) and impairment provisions reducing to £0.58m (2014: £0.88m). At the end of the year, there were no mortgage accounts (2014: 4 accounts) in arrears of 12 months or more with balances outstanding of £nil (2014: £0.71m) and arrears of £nil (2014: £0.06m). Specific provisions of £nil (2014: £0.09m) are held against these arrears accounts.



## Financial Risk Management Objectives and Policies

The Group operates in a business environment that contains financial risks. To mitigate these risks, the Board has implemented a clearly defined risk management framework that comprises the following features:

- a risk focused governance structure;
- a risk appetite statement, risk policy statements and risk limits;
- risk identification, monitoring and reporting processes; and
- an effective internal control framework.

The Board has established sub-committees to assist in the implementation and monitoring of risk management across the Group, including the Audit & Compliance Committee, the Risk Committee and the Remuneration & Nomination Committee. In addition, the Group operates two executive management committees: the Executive Committee (EXCO) which reports directly to the Board and the Assets & Liabilities Committee (ALCO) which reports into the Board's Risk Committee. Details of the role and responsibilities of each Committee are set out in the Corporate Governance Report.

The Board has approved a Group Risk Policy that sets out the Group's risk management framework, including a risk appetite statement for each risk category.

In addition, risk policy statements, which articulate policy and risk limits in more detail for specific risk categories, have been implemented to manage the risks faced by the Group within the defined risk appetite. The key risk policies include the Lending Policy, the Conduct Risk Policy and the Financial Risk Management Policy, which includes the Liquidity Policy. These are reviewed, amended and approved by the Board on a regular basis.

## Principal Risks and Uncertainties

The principal risks to which the Group is exposed, along with the risk management objectives and policies are set out below:

- **Credit risk:** the risk of loss if a customer or counterparty fails to perform its obligations. The risk arises from the Group's loans and advances to customers and the investment of liquid assets with treasury counterparties. Treasury counterparty and sector exposure limits have been established by the Board within the Financial Risk Management Policy and these are monitored by ALCO.

All mortgage applications are assessed with reference to the credit and underwriting criteria set out in the Group's Lending Policy. Details of the Group's arrears performance are set out in the Business Review section and analysis of the Group's loans and advances to customers is set out in Note 28 of the annual accounts.

The Group recognises that the personal and financial circumstances of our borrowers can be affected by deteriorating economic conditions and unplanned events. When this happens, we apply a formal policy directed towards forbearance and fair treatment of customers. The Group uses a number of forbearance measures to assist those borrowers including agreeing a reduced monthly payment, a transfer to interest only payments and an extension of the mortgage term in order to reduce the borrowers' financial pressures. We expect borrowers to resume normal payments once they are able.

- **Operational risk:** the risk of loss arising from inadequate or failed internal processes, the actions of people, the Group's IT systems and fraud, including cyber-crime and financial crime. The Group maintains policies and procedures for all key internal processes. The EXCO is the Group's principal forum for monitoring operational risk and ensuring that appropriate actions are taken and internal controls implemented across the business to manage operational risk.

- **Conduct risk:** the risk of detrimental outcomes to customers derived from staff interaction throughout the product lifecycle. The Conduct Risk Policy sets out the high level values that staff are expected to demonstrate in all their dealings with consumers and the detailed metrics that are monitored that may indicate consumer detriment to ensure that appropriate and timely action can be taken. As with Operational risk the EXCO is the principal forum for monitoring conduct risk, ensuring there are adequate controls implemented and that these are effective in managing conduct risk and delivering good customer outcomes.
- **Liquidity risk:** the risk that the Group does not have sufficient financial resources to meet its liabilities as they fall due, or can secure them only at an excessive cost. It arises from the maturity mismatch of the Group's assets and liabilities. The Group's policy is to maintain liquid assets at all times which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due both in business-as-usual and stressed scenarios, to smooth out the effect of maturity mismatches between assets and liabilities, and to maintain the highest level of public confidence in the Group. The Financial Risk Management Policy details liquidity risk limits set by the Board and these are reviewed daily by the Group's Finance department and monitored each month by ALCO. Further details of liquidity and funding are set out below.
- **Interest rate risk:** the risk of reductions in net interest margin arising from unfavourable movements in interest rates due to mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates or from the re-pricing of assets and liabilities according to different interest bases. This risk is managed within approved limits set by the Board within the Financial Risk Management Policy, by matching the re-pricing dates of fixed rate assets and liabilities and using derivative financial instruments, and is monitored by ALCO. Details of the Group's interest rate sensitivity and the use of derivatives for hedging purposes are set out in Note 28 of the annual accounts.
- **Concentration risk:** the risk of loss due to either a large individual or connected exposure, or significant exposures to groups of counterparties who could be affected by common factors, including geographical location. The Board has set limits for the geographical concentration of mortgage assets and the maximum value of exposures to single or connected mortgage borrowers and treasury counterparties and these are monitored by ALCO. Details of the geographic concentration of the Group's loans and advances to customers is set out in Note 28 of the annual accounts.
- **Business risk:** the risk of loss or reduction in profitability due to failure to achieve business objectives. The Group's Strategic Plan, approved by the Board, sets out the key objectives and how key risks to achieving those objectives will be managed. The Group manages this risk by ensuring that a diverse range of products and services are in place, the setting of detailed plans and the monitoring of actual performance against these plans by the Board. Key business risks include:
  - » Competitive mortgage and retail savings markets. As noted in the Business Review, the Society's net interest margin continues to improve despite the low interest rate environment, particularly through reduced funding costs. There is a risk that increased competition impacts mortgage yields and the cost paid for retail savings. The Directors continue to closely monitor the economic environment, the mortgage and savings markets, the balance sheet composition of the Group and product pricing to ensure that the Society's product mix remains appropriate and that net interest margin remains in line with the Group's Strategic Plan.
  - » Increasing management expenses. Operating costs are likely to increase in the short-term as investment is made in front line services to improve customer outcomes, enhance growth prospects and deliver operating efficiencies, in addition to the costs of compliance with new regulation. There is a risk that costs continue to increase over and above the growth in interest margin. Costs are being closely monitored by the Directors in order to control the Society's cost income ratio.

- » Financial Services Compensation Scheme (FSCS) levies. FSCS levies are charged to the Society to service interest on loans which are used to provide compensation to savers in the financial institutions which failed during 2008-2009 and to repay expected capital shortfalls on these loans. While the Society is not expecting to incur additional capital charges, interest levy costs will, as a minimum, continue at approximately this level in future years, impacting profitability and the Group's reserves. However, the Group remains well capitalised and the Directors anticipate that expected increases in the levy costs can be absorbed by the Group. Full details of the Group's current provision recognised for FSCS levies are set out in Note 25 of the annual accounts.
- **Pension obligation risk:** the risk to profit due to the Society, being the funder of last resort, having to make significant contributions to the Society's defined benefit pension scheme. Since 2008, the Group has embarked upon a programme of measures to reduce its pension scheme liabilities and protect the pension surplus for the benefit of pension scheme members and the long-term interests of Society members. Details of the Group's pension scheme including the cost to the Society for the year and the updated scheme valuation at 31 December 2015 are set out in Note 8 of the annual accounts.

### **Capital and Reserves**

A further feature of the Group's risk management framework is the Internal Capital Adequacy Assessment Process (ICAAP), as required by the EU Capital Requirements Directive (CRD). The ICAAP assesses the level of capital that the Board considers adequate to mitigate the various risks to which the Group is exposed. The Board approves the ICAAP on an annual basis.

Group profit after tax for 2015 of £1.19m was transferred to general reserves and the Group remains well capitalised. As a result of this and other movements in reserves arising from the pension scheme valuation, gross capital at 31 December 2015 increased to £35.1m (2014: £32.9m), being 9.99% of total shares and borrowings (2014: 9.29%). Free capital at 31 December 2015 increased to 8.63% of total shares and borrowings (2014: 7.93%). The Group's risk weighted total capital ratio at 31 December 2015 was 17.4%, against a minimum requirement of 8%, and the leverage ratio was 7.2%, against a minimum requirement of 3%.

Further details of the Group's risk exposures and capital adequacy are contained in the Group's Pillar 3 disclosures that are available from the Society Secretary or on our website [www.themelton.co.uk](http://www.themelton.co.uk).

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1 January 2014 and place certain reporting obligations on financial institutions that are within the scope of CRD IV. The purpose of the regulations is to provide clarity on the source of the Society's income and the location of its operations. The annual reporting requirements as at 31 December 2015 are shown in Note 29 of the annual accounts.

### **Liquidity and Funding**

The Board undertakes a full review of liquidity adequacy each year, referred to as the Internal Liquidity Adequacy Assessment Process (ILAAP), including an assessment as to the quantity and quality of liquid assets that the Group should hold in order to mitigate the liquidity risks to which it is exposed under both normal and stressed conditions. The Board approves the ILAAP on an annual basis and this forms a further component of the Group's risk management framework.

In July 2012 the Bank of England (the Bank) launched the Funding for Lending Scheme (the FLS) to provide banks and building societies access to funding in order to boost their lending to UK households and small businesses. Under the scheme, the Society is able to borrow UK Treasury Bills for a period of 4 years in return for providing security to the Bank in the form of mortgage assets. The Treasury Bills held under the scheme are not recognised on the Society's balance sheet but are available for the Society to utilise as part of its liquidity requirements.

The Society participated in the FLS in order to facilitate mortgage lending during the 4 year term of the scheme and to provide some stable long-term funding. At 31 December 2015, the Society held £21m (2014: £21m) of Treasury Bills on this basis and details of the security provided to the Bank are shown in Notes 12 & 14 of the annual accounts.

The Group's liquid assets of £60m at the year-end (2014: £75m) represented 17.1% of total shares and borrowings (2014: 21.1%). The Treasury Bills held under the FLS increased available liquidity at the year-end to 23.1% of total shares and borrowings (2014: 27.0%). While the level of liquidity held has reduced during the year, it remains significantly above the Board's internal assessment of its minimum requirement and the minimum regulatory requirement.

### **Going Concern**

The Directors have prepared forecasts of the Group's capital, funding and liquidity positions for the period ending 12 months from the date of approval of these accounts. Forecasts have also been prepared to assess the impact on the Group's business and its capital, funding and liquidity positions of operating under stressed but plausible conditions.

The forecasts have satisfied the Directors that the Group has adequate resources to continue in business for the foreseeable future. Accordingly, the accounts continue to be prepared on a going concern basis.

### **Creditor Payment Policy**

Although the Society does not follow a code or standard on prompt payment practices, it seeks to pay its trade creditors within agreed payment terms for fulfilment by the suppliers of their contractual obligations. The creditor days were 14 days at 31 December 2015 (2014: 38 days).

### **Directors**

The following persons served as Directors of the Society during the year:

#### **Non-Executive Directors:**

L C Alldritt	Appointed 30 April 2015
A J Capps	
R H Clegg	Vice-Chairman & Senior Independent Director
A L Craft	Chairman
F A Pollard	
K O Romney	
D J Wood	Retired 29 April 2015

#### **Executive Directors:**

M J Reason	Chief Executive
J P Mulvey	Deputy Chief Executive & Finance Director

None of the Directors had any beneficial interest in the shares or debentures of any connected undertaking of the Society at the end of the financial year.

### **International Financial Reporting Standards**

The Group has adopted International Financial Reporting Standards as adopted by the EU (IFRS) in this year's annual accounts. Accordingly, the comparative financial information is different from that previously reported.

The areas of impact on profit and reserves are due to differences in accounting for debt securities, financial instruments (derivatives) and hedging, interest income recognition, mortgage-related fee recognition, retirement benefit income and costs, and impairment losses. In addition, certain individual assets and liabilities have been differently categorised and measured.

Note 1 of the annual accounts sets out the accounting policies under which these annual accounts have been prepared and Note 30 details UK GAAP to IFRS reconciliations for the comparative financial information.

### **Disclosure of Information to the Auditor**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### **Auditor**

The External Auditor, KPMG LLP, has indicated its willingness to continue in office and accordingly a resolution for its re-appointment will be proposed at the Annual General Meeting.

### **Acknowledgements**

The Directors wish to record their appreciation of the dedication and commitment of all members of staff during what has proved to be a successful year despite the continuing economic challenges for the UK and the Building Society sector.

David J Wood retired as a Director during the course of the year. He joined the Society in May 2007 just prior to the financial crisis and provided a valuable contribution to the Society during a period of considerable economic uncertainty. He retired leaving the Society in very good financial health and with a solid base to deliver future growth – we thank David for his support and wish him well in retirement.

The Directors would also like to thank all members and suppliers for their continued support.

**A L Craft**

Chairman

**9 March 2016**

	Group 2015 £'000	Group 2014 £'000
<b>Results for the year</b>		
Net interest receivable	5,308	4,836
Other income and charges	988	986
Administrative expenses	(4,781)	(4,336)
Loss on revaluation of investment property	(100)	(175)
Impairment losses	338	36
Provisions	(185)	(253)
<b>Profit for the year before taxation</b>	<b>1,568</b>	1,094
Taxation	(376)	(189)
<b>Profit for the year</b>	<b>1,192</b>	905
<b>Financial position at end of year</b>		
<b>Assets</b>		
Liquid assets	60,217	74,658
Mortgages	313,281	299,904
Derivative financial instruments	39	133
Fixed and other assets	7,689	8,159
Retirement benefit asset	8,256	6,964
<b>Total Assets</b>	<b>389,482</b>	389,818
<b>Liabilities</b>		
Shares	313,851	310,737
Borrowings	37,677	43,476
Derivative financial instruments	54	79
Other liabilities	2,788	2,612
Reserves	34,762	32,464
Revaluation reserve	350	450
<b>Total Liabilities</b>	<b>389,482</b>	389,818

	Group 2015	Group 2014
<b>Summary of key financial ratios</b>		
<b>As a percentage of shares and borrowings:</b>		
Gross capital	9.99%	9.29%
Liquid assets	17.13%	21.08%
<b>As a percentage of mean total assets:</b>		
Profit for the year	0.31%	0.23%
Management expenses	1.23%	1.11%

## **Notes to the Summary Financial Statement**

The Summary Financial Statement is prepared on a Group basis.

The gross capital ratio measures the Group's capital as a proportion of its shares and borrowings. Gross capital comprises the general reserves and the revaluation reserve. Capital provides a financial buffer against any losses which might arise from the Group's activities and therefore protects investors.

The liquid assets ratio is a measure of the proportion of the Group's shares and borrowings that are in the form of cash or readily realisable into cash. Liquid assets enable 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.

The ratio of profit for the year as a percentage of mean total assets measures the proportion that the profit after taxation for the year represents in relation to the average of total assets for the year. The ratio is similar to a company's return on assets. The Group needs to generate a reasonable level of profit each year in order to fund the continued development of its business and maintain its capital ratios at a suitable level to protect investors.

The ratio of management expenses as a percentage of mean total assets measures the proportion which administrative expenses as reported in this document (which includes depreciation and amortisation) represents in relation to the average of total assets for the year and is widely used to measure administrative efficiency.

### **Independent auditor's statement to the members and depositors of Melton Mowbray Building Society**

We have examined the summary financial statement of Melton Mowbray Building Society ('the Society') for the year ended 31 December 2015 set out on pages 6 to 16.

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

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

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Melton Matters document, with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

## **Basis of opinion**

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2015, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2015.

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

Our report on the Society's full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

## **Opinion on summary financial statement**

On the basis of the work performed, in our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2015 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

**Andrew Walker**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants

**9 March 2016**

One Snowhill  
Snow Hill Queensway  
Birmingham B4 6GH



# Directors' Remuneration Report

(not forming part of the Summary Financial Statement)

This report together with the disclosures in Note 9 of the annual accounts is provided to give members an explanation of the policy and application of Directors' remuneration. A resolution will be put to the Annual General Meeting inviting members to receive and accept this report. The vote is advisory, and the Board will consider whether any consequent action is required.

## Remuneration Policy

The Remuneration & Nomination Committee, comprising Non-Executive Directors only, has responsibility for determining the Group's Remuneration Policy. The Committee's objectives in setting the Remuneration Policy are to ensure that:

- The Group attracts and retains Directors and senior management possessing the skills and experience to lead the Group and develop it for the long term advantage of members;
- Remuneration decisions are consistent with the Group's long term objectives, business strategy and risk appetite set by the Board of Directors;
- Staff are provided a fair and reasonable reward for their contribution to the business; and
- The Group maintains a sustainable business model and a strong capital base.

In setting remuneration, the Committee takes into account salaries, fees and benefits offered for comparable positions within similar financial services organisations.

## Executive Directors

Remuneration of the Group's Executive Directors comprises a number of elements: basic salary, a discretionary bonus scheme, membership of a pension scheme and other taxable benefits.

The discretionary bonus scheme is in place in order to recognise the contribution of individuals to the maintenance and improvement of underlying financial performance and enhancements made to the Group's risk management framework and control environment. All discretionary bonuses are non-contractual and not guaranteed, capped at 10% of basic salary (prior to any salary sacrifice) and are subject to approval by the Committee. All payments under the discretionary bonus scheme are in cash with no deferral or clawback provisions. Details of discretionary bonuses paid to the Executive Directors are set out in Note 9 of the accounts.

Executive Directors are eligible to be members of the Melton Mowbray Building Society Staff Pension and Life Assurance Scheme (the 'Scheme'). Active members of the Scheme accrue benefits in the defined contribution section of the Scheme. The Scheme also includes financial provision for death in service. Mr Reason has opted out of the Scheme and receives a taxable allowance in lieu of the Society's pension contributions and retains the death in service life assurance cover.

The Group provides other taxable benefits including a car allowance and health care provision.

The Chief Executive and Deputy Chief Executive & Finance Director each have a service contract with the Society, terminable by the Society giving 12 months' notice or by the Director giving six months' notice.

The level of remuneration of Executive Directors is considered by the Committee. The Chief Executive appraises the individual performance of the Deputy Chief Executive & Finance Director and makes recommendations to the Committee. The Chief Executive is appraised by the Chairman.

## Non-Executive Directors

Non-Executive Directors are remunerated by fees. A taxable travel and accommodation allowance is paid where a Director lives a significant distance from the Society's Principal Office. They do not receive any salary, performance incentives or pension. The Society's Rules limit Non-Executive Director remuneration to 2.5 times the annual salary of the lowest paid full-time clerical employee. Each Director's remuneration is considered by the Committee.

A Director who is also a Trustee of the Melton Mowbray Building Society Staff Pension and Life Assurance Scheme is granted a fee of £150 per Trustee meeting attendance.

## FCA Remuneration Code

The Group's Remuneration Policy describes how the Group complies with the Remuneration Code. In accordance with the Code, the Society has disclosed certain qualitative and quantitative information relating to remuneration in its Pillar 3 disclosures document which can be found on the Society's website.

**A L Craft**  
Chairman

**9 March 2016**

## Directors' emoluments (not forming part of the Summary Financial Statement)

Society 2015	Salary / Fees £	Bonus £	Benefits £	Sub Total £	Payments to defined contribution scheme £	2015 Total £	2014 Total £
<b>Non-Executive</b>							
L C Alldritt (appointed 30 April 2015)	13	-	-	13	-	<b>13</b>	-
A J Capps	22	-	-	22	-	<b>22</b>	21
R H Clegg	20	-	-	20	-	<b>20</b>	20
A L Craft	30	-	-	30	-	<b>30</b>	29
F A Pollard	23	-	-	23	-	<b>23</b>	11
K O Romney	23	-	-	23	-	<b>23</b>	22
D J Wood (retired 29 April 2015)	6	-	-	6	-	<b>6</b>	20
R D Wood (retired 23 April 2014)	-	-	-	-	-	-	6
<b>Executive</b>							
M J Reason	141	11	26	178	-	<b>178</b>	173
J P Mulvey	98	11	12	121	35	<b>156</b>	152
	<b>376</b>	<b>22</b>	<b>38</b>	<b>436</b>	<b>35</b>	<b>471</b>	454

# Affinity Savings Partners

As part of our commitment to supporting the local community, the Society raises money for the DRLAA, Loros, Almshouses and Hft through affinity savings accounts which gives savings customers an attractive rate of interest, whilst every year the Society donates a percentage of the average daily account balances to the charity. This year we have donated the following amounts:

Derbyshire, Leicestershire and Rutland Air Ambulance (DRLAA), £11,725


Loros – hospice care in Leicestershire and Rutland, £8,268

Hft - a leading national charity supporting people with learning disabilities, £6,364

Local Almshouse Development – helping create accommodation for elderly people in need, £6,269



# Sir David Attenborough opens the Volunteer Training Centre at Rutland Water Nature Reserve

A photograph of two men standing in front of a wooden building. The man on the left is wearing a dark suit, a white shirt, and a patterned tie. The man on the right is wearing a white shirt and light-colored trousers. A sign on the wall behind them reads 'THE wildlife TRUSTS' and 'Leicestershire & Rutland Wildlife'. The building has a wooden facade and a stone wall in the background.

Sir David was warmly welcomed when he took a tour of the £1.1m centre and met some of the Leicestershire & Rutland Wildlife Trust's 400-strong team of volunteers who contribute an extraordinary 35,000 hours at the nature reserve each year.

Thought to be the first of its kind in the UK, the centre provides support and training for volunteers in conservation, countryside and heritage skills. Funded by a grant from the Heritage Lottery Fund with further contributions from Anglian Water, charitable trusts, the Melton Building Society and a public appeal, the building is designed to sit comfortably and sympathetically in its natural setting within the reserve.

**PHOTO:** Martin Reason, Chief Executive, the Melton meets Sir David Attenborough at the official opening of the Volunteer Training Centre at Rutland Water Nature Reserve

# WILD ONES

Young Savers

**NEW interest rate**  
**3.00% Gross**  
**3.04% AER**

Variable Interest Rate. Interest paid monthly.  
Withdrawals subject to 30 days notice.  
Account restricted to local people aged under 16.  
Minimum opening balance £5.

**FREE WILD ONES PACK  
FOR YOUNG SAVERS...**



The Melton in partnership  
with Lincolnshire Wildlife  
Trust and Leicestershire &  
Rutland Wildlife Trust



For further information please visit your  
local branch, call 01664 414141 or visit  
[www.themelton.co.uk](http://www.themelton.co.uk)



**themelton**  
building society

*Connecting your life with wildlife...*

The gross rate is the contractual rate of interest payable before the deduction of income tax at the specified rate, currently 20%. The AER (annual equivalent rate) illustrates what the interest rate would be if interest was paid and compounded once each year. Tax treatment depends on individual circumstances and may be subject to change in future. May be withdrawn at short notice.

The Melton Mowbray Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.



MMBS46015

# The Melton Pledges Support for Armed Forces Personnel



The Melton has pledged to implement a mortgage policy that allows Armed Forces personnel who are posted overseas to rent out their homes without facing higher mortgage interest rates or a requirement to change their mortgage. Those in the armed forces and their families make many sacrifices in serving their country and can face disadvantages in doing so. Personnel are often posted overseas for long periods of time at short notice, which can lead to penalties on their existing financial products such as mortgages.

Martin Reason, Chief Executive, the Melton said: “We are proud to be able to offer support to our Armed Forces personnel. As a leading East Midlands mutual we believe in supporting our local communities and we offer practical financial assistance to the large number of forces personnel in our local area.”

## New information guides...

Choosing a mortgage and savings plan can be very confusing, so to help, we have produced some easy to read guides which will give you an insight into making these important decisions. Call in to your local branch to pick up a copy or visit [www.themelton.co.uk](http://www.themelton.co.uk).



## New Online Calculators

You can now compare our mortgages products and monthly payments with our new online Mortgage Calculator. We have also added an Affordability Calculator to help you choose your mortgage from the comfort of your own home. Visit [www.themelton.co.uk](http://www.themelton.co.uk).

# Financial Fitness

This Spring we are launching a new campaign called Financial Fitness to raise awareness about the importance of keeping your finances and yourself healthy. Our branches are offering customers the opportunity to book a financial review when our advisors will review your financial requirements – whether you're looking for ways of growing your savings, buying a new house, moving lender or planning your family's financial future.



As part of the campaign, we are sponsoring Claire Lomas' fundraising event, Road2Recovery half marathon and fun run, in Melton on Sunday 19 June. Claire is a local lady who was paralysed from the neck down following a horse riding accident in 2007. Claire made worldwide headlines in 2012 when she completed the London Marathon in 17 days wearing a robotic suit. All profit from Claire's fundraising goes to the Nicholls Spinal Injury Foundation.

## INTRODUCE A FRIEND TO A MORTGAGE WITH THE MELTON AND RECEIVE £100\* There's no limit to how many mortgage applicants you could introduce

- **Are your friends 'house hunting'?**
- Is someone at work thinking of buying a house?
- **Do you know someone who is remortgaging?**
- Is someone you know thinking of making home improvements?
- **Do you know someone moving into your area?**
- Is someone you know thinking of building their own home?
- **Are any members of your family moving house?**

Simply complete this voucher and ensure your friend presents it to the Melton along with their mortgage application.

Your name (print) \_\_\_\_\_

Your Signature \_\_\_\_\_ Acc No \_\_\_\_\_

Your Address \_\_\_\_\_

Postcode \_\_\_\_\_ Date \_\_\_\_\_

[www.themelton.co.uk](http://www.themelton.co.uk)

\*CONDITIONS: This offer applies to all new mortgages completed before 31 December 2016. Only members of the Melton Building Society are eligible to introduce a friend. The mortgage applicant must confirm the introduction at the time of the application by presenting this voucher. The £100 will be credited to your Melton account once the mortgage application has legally completed. Maximum one voucher per mortgage. The Society reserves the right to withdraw this offer at any time. Offer not available for Staff of the Society.

Melton Mowbray Building Society is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority.

# Important Information

## FINANCIAL SERVICES COMPENSATION SCHEME

### Important information about compensation arrangements

We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a building society is unable to meet its financial obligations. Most depositors - including most individuals and small businesses - are covered by the scheme.

In respect of deposits, an eligible depositor is entitled to claim up to £75,000. For joint accounts each account holder is treated as having a claim in respect of their share so, for a joint account held by two eligible depositors, the maximum amount that could be claimed would be £75,000 each making a total of £170,000. The £75,000 limit relates to the combined amount in all the eligible depositor's accounts with the building society, including their share of any joint account, and not to each separate account.

For further information about the scheme (including the amounts covered and eligibility to claim) please ask at your local branch, refer to the FSCS website [www.FSCS.org.uk](http://www.FSCS.org.uk) or call 020 7892 7300.

- Please ensure that you keep your personal details held with the Society up to date.

The Society may wish to keep you informed of marketing initiatives from time to time. We will use various marketing methods in this respect, namely, telephone, letter/direct mail, email or third party. If you do not wish to be contacted by any particular method, please let us know. Please note that any instruction received will supersede any existing instruction held in our records.

- The Society's current savings interest rates are available on request from our Principal Office or Branches. They are also shown on our website at [www.themelton.co.uk](http://www.themelton.co.uk).
- Online Security - For those members who use online facilities, including email, please note that Melton Mowbray Building Society will not issue emails to you requesting personal information or details of passwords and accounts numbers. We would appreciate you letting us know if you ever receive such a request. We would also draw your attention to being vigilant in respect of internet security including identity theft and internet fraud generally. We would draw your attention to the security information in the online savings log in and suggest you read this information on a regular basis.
- HMRC has announced a new 0% tax rate for savings which means more pensioners, low earners, or those with only investment income, can have some or all of their savings interest paid tax free from 6 April 2015. For more information go to [www.gov.uk/taxfreesavings](http://www.gov.uk/taxfreesavings).

## Your Executive Management Team

**Martin Reason** - Chief Executive

**John Mulvey** - Deputy Chief Executive & Finance Director

**Christopher Rowley** - Commercial Director

**Phil Relf** - Director of Risk & Compliance

**Debbie Flint** - Director of Operations

**Nicola Alvarez** - Director of Sales & Marketing

**Siân Gant** - Financial Controller

**Steve Clayton** - Head of Group IT

**Alison Bourne** - Society Secretary

**Melanie Swainston** - Marketing Manager

## Offices of the Society

### Principal Office

Mutual House, Leicester Road,  
Melton Mowbray, Leics., LE13 0DB  
Tel: 01664 414141 Fax: 01664 414040  
E-mail: [melton@mmbs.co.uk](mailto:melton@mmbs.co.uk)

### Branch Offices

#### Melton Mowbray Branch

18 Nottingham Street, Melton Mowbray,  
Leics., LE13 1NW. Tel: 01664 480214  
Toni Shelton - Branch Manager

#### Grantham Branch

48 High Street, Grantham, Lincs., NG31 6NE.  
Tel: 01476 564528  
Dawn Wright - Branch Manager

#### Oakham Branch

23 High Street, Oakham, Rutland, LE15 6AH.  
Tel: 01572 757911  
Lisa Poyzer - Branch Manager

### Opening Hours:

9.00 am - 6.00 pm Monday to Friday  
9.00 am - 12 noon Saturday

[www.themelton.co.uk](http://www.themelton.co.uk)



**themelton**  
building society  
*here to help...*

The Melton Mowbray Building Society is Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. MMB59116