

Summary Financial Statement

2023 HIGHLIGHTS



Lent £198m
in new
mortgages



30% of our
savings accounts
were opened in
our branches



Mortgage
balances grew
to over £598m



1500 colleague
volunteer hours



Feefo platinum
trusted service
award winner



£2.2 million
invested into
our affordable
homes



We donated
£200k to
charitable
causes



Best Building
Society Savings
Provider

For the year ended 31 December 2023

STATEMENT FOR THE PURPOSES OF SECTION 76 (4) OF THE BUILDING SOCIETIES ACT 1986.

This Summary Financial Statement is a summary of information in the audited Financial Statements, 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 Market Harborough Building Society and online after 2 April 2024.

Approved by the Board of Directors on 22 March 2024.

Lesley Titcomb Chair

Iain Kirkpatrick Chief Executive

Nicholas Fielden Chief Finance Officer

SUMMARY DIRECTORS' REPORT

Your directors have pleasure in presenting their Annual Report for the year ended 31 December 2023.

BUSINESS OBJECTIVES

Your Society's principal business objectives are the provision of secured lending on residential property and savings products for private individuals and small businesses. The Society operates solely in the UK and all of its operations are based in the UK. Our products are promoted nationally via mortgage brokers, the internet and by phone, and in Leicestershire and Northamptonshire via our branches. We seek to develop by offering the combined advantages of value-for-money and innovation in our products and by delivering a first-class personalised service to members.

REVIEW OF THE YEAR

Last year saw further volatility in the economy and political turmoil both at home and globally. The cost of living crisis extended into another year, the impact of higher interest rates to combat rapidly advancing inflation continued to make mortgages more expensive, and instability in the US financial system in the early part of the year reverberated around the world. Despite these concerns the Society has managed the business carefully to be in an even better position to help its members and communities continue to deal with the uncertainty we all face. The Society delivered an excellent business performance, with records broken and milestones achieved.

As always, central to the Society's success has been its members and colleagues and we would like to offer them our sincere thanks for their continued support and commitment. The Society will remain focused on supporting its members to ensure the Society remains successful and sustainable for the long term.

KEY PERFORMANCE AND OTHER INDICATORS

The following key performance indicators provide an overview, in tabular form, of the Group's progress.

	2023 Group	2022 Group	2021 Group
Total assets	£722m	£647m	£541m
New mortgage lending	£198m	182	£132m
Growth in mortgage assets	20.0%	13.9%	2.4%
Net increase / (decrease) in retail deposits	£77m	92.0	(£30m)
Liquidity to funding ratio	17.2%	23.6%	20.4%
Management expenses as a percentage of mean total assets	1.8%	1.8%	1.6%
Cost to income ratio	71.8%	68.7%	64.7%
Profit before tax	£4.3m	£4.5m	£5.0m
Post-tax profit	£3.3m	£3.6m	£4.0m
Profit as a percentage of mean total assets	0.5%	0.6%	0.8%
Net interest receivable as a percentage of mean total assets	5.5%	3.5%	3.0%
Gross capital as a percentage of shares and borrowings	8.6%	9.2%	10.1%
Free capital as a percentage of shares and borrowings	7.9%	8.9%	9.9%

Highlights of 2023

- Growth in mortgage assets of 20%
- Very low levels of mortgage arrears
- Gross lending of £198m
- Continued support for the local community including £1.1m spent on social housing
- Continued focus on members and customers

BOARD COMPOSITION

As at 31 December 2023 the Board comprised seven non-executive directors and three executive directors. The Board meets at least six times a year with the addition of two strategy sessions. Board Committees meet at intervening times. Any additional meetings are held as required.

The Society considers all non-executive directors to be independent. The directors holding office during the year were:

Non-Executive Directors	Executive Directors
Lesley Titcomb: Chair (from 1 October 2023)	Iain Kirkpatrick: Chief Executive
Michael Thomas: Chair (until 30 September 2023)	Nicholas Fielden: Chief Finance Officer
Lindsay Forster	Anniemarie Cossar: Chief Customer Officer (from 9 February 2023)
Jonathan Fox	
Andrew Merrick	
Zoe Shapiro	
David Stunell	
Nala Worsfold	

The Society maintains liability cover for the directors as permitted by the Building Societies Act 1986.

CORPORATE GOVERNANCE

The Board is responsible for the governance of the Society on behalf of the members. The Board is committed to best practice in corporate governance. A revised Corporate Governance Code was issued in 2018 by the Financial Reporting Council (FRC), which came into effect for all reporting periods starting on or after 1 January 2019. Although the Code does not directly apply to mutual organisations, the Group has regard to its principles as they apply to a building society.

The Board's role is to focus on strategic decisions within a framework of prudent and effective controls, which enable risk to be assessed and managed. The Board has a general duty to take decisions objectively in the interests of the Society and to ensure that the Society operates within its Rules and Memorandum, regulations and guidance issued by relevant regulatory authorities and all relevant legislation. In addition, it ensures that appropriate systems of control, human resources and risk management are in place to safeguard Members' interests.

The Board normally meets six times a year and holds further meetings as and when required. The Board met on six occasions during 2023 to attend to normal governance matters. At least once a year, the non-executive directors meet without the executive directors present.

The Board has appointed a Senior Independent Director, Jonathan Fox, whose role is to attend to any matters requiring to be dealt with independently from the Chair and Chief Executive.

A RELEVANT AND SUSTAINABLE SOCIETY

Early in 2023 the Society made a conscious decision to reduce its mortgage lending in the standard residential markets where competition was fierce, and to double down on its focus to help borrowers with more complex needs. This enabled the Society to surpass the previous year's lending, growing its mortgage book by just under £100m. As a result the Society has also seen another year of strong growth for its short term bridging solutions and holiday let mortgages.

As a mutual, the Society is acutely aware of its commitment to its borrowers, particularly when times are tough. The Society was able to protect borrowers by increasing its standard variable rate by just 1.1%. The Society also continued to work with those borrowers at risk of financial difficulty by offering them tailored support and guidance as needed. The Society is pleased to say that overall, arrears did not move significantly in 2023 and no repossessions were made.

After a decade of low interest rates, savers continued to benefit from rising rates through 2023. By continuing to offer a competitive savings product range the Society saw record inflows of £129m into the Society, significantly exceeding the previous record set the year before of £92m. The Society's fixed rate savings and notice products were particularly popular with savers, appealing to new and existing savers alike, and the Society attracted 4,500 new savers during the year. The Society has rewarded its existing savers as much as it can and in 2023 the Society increased the average rate paid to savers by 1.17%.

The Society's ability to attract new savers was helped by ongoing investment in its online functionality and capability, and this remains a key focus for the Society to ensure its services are simple and quick to use. Whilst online savings have played a large part in the Society's savings growth, branch accounts continue to be popular, accounting for almost a third of new account openings in the year. The Society knows that its members value access to face to face support, especially for more complex queries, and the Society remains committed to its branches.

The Society is delighted to report that its profit before tax was £4.3m. This is slightly lower than in 2022 as the Society sought to balance the needs of savers and borrowers, increasing the average interest rate paid to savers by more than the increase in its standard variable mortgage rate.

Supporting customers, colleagues and communities to thrive

The Society welcomed new regulation in the form of the Consumer Duty in 2023. Colleagues from across the Society have invested a significant amount of time reviewing and improving its communications, products and services, processes, and the way the Society measures and collects feedback on the customer experience, so that it not only meets the regulations but goes beyond them in its treatment of its members. The newly introduced Customer Forum will ensure the Society continues to put members and their needs at the heart of everything the Society does.

The Society's savings customer satisfaction scores continue to be excellent and more than 80% of members would recommend the Society to family and friends. Mortgage intermediaries play a critical role in the successful delivery of the Society's lending business and the Society was proud to receive a Feefo Platinum Trusted Service Award earlier this year, an independent seal of excellence which recognises businesses that consistently deliver a world-class customer experience.

We know that great service comes from skilled and committed colleagues and the Society's most recent engagement survey confirms its people are proud to work for MHBS and would recommend the Society as a great place to work. The Society is committed to investment in training, development and succession planning so that it attracts and retains the best people and allows them to fulfil their true potential.

In 2024 the Society's colleagues will move to a new head office building where they will benefit from a state of the art, modern work space designed to encourage collaborative team working, whilst also supporting their health and wellbeing. The Society is upgrading this existing office space with sustainability at the heart, re-purposing as much of what is already on site as possible, in order to minimise wastage. All the works will be undertaken by local contractors, with the key project team all based within 15 miles of Market Harborough. The new building also offers us the ability to share the benefits with local community groups, clubs and societies by making space available for them to host meetings or other events. Whilst the Society is moving head office, its Welland House branch will remain in the Square in Market Harborough serving members as it does today.

Supporting communities and the local causes the Society's members care about is key to the Society's identity as a mutual. In 2023 the Society continued to build on its Thrive! Agenda – the Society's commitment to supporting its communities to thrive.

The Society continued its enthusiastic support for local causes including donations of £100,000 to ensure people in its communities did not go hungry or lonely in the run up to Christmas, giving £15,000 to a local housing charity in collaboration with two other local societies, and directing £50,000 to its Charitable Foundation so they could continue their great work funding smaller programmes in its communities. The Society supported its Charity of the Year, Cransley Hospice Trust, via donations on behalf of every person who voted at the Annual General Meeting, by making a contribution from the easy access 'Save and Support' account, as well donating money raised from fundraising events.

The Society's colleagues gave over 1,500 hours of their time volunteering with worthwhile causes including food banks, local litter picks, community centres, schools and sports clubs. The Society was also proud sponsors of the 2023 Voluntary Action Leicestershire Awards to recognise the work of volunteers, charities and community groups, and to forge more meaningful and far-reaching connections with more local causes it can support and partner with.

With your support in 2022 the Society set a target to invest £2m over 2 years to provide housing for local people in need. The Society is pleased to say it purchased a further 4 new properties in Market Harborough in 2023 to provide homes for families in need. The Society completed on the purchase in December and the homes will be allocated on an affordable rent basis to those most in need in its community in the coming months.

The Society is pleased to say it continues to have the full commitment of the Board to invest in its communities and the Society anticipates investing a further £0.4m in worthwhile causes and groups over the next 2 years.

A purpose worth fighting for

Towards the end of last year the Executive team and CEO reflected on its purpose as a Society. The world isn't just changing; since the Society was founded back in 1870 it has transformed, and so its purpose has evolved too. The Society have developed a new strategic blueprint which it will use to focus its energy, drive decision making, and underpin its culture. It sets out the Society's purpose, priorities and the behaviours it needs to build for the future.

The Society's new purpose is:

Fighting together for our customers and communities to thrive.

This is the Society's roadmap to a better society, with a real focus on creating lasting change. It shows the Society's intention and commitment to support its members, colleagues and communities to thrive, to live the full and positive lives they deserve.

What's in it for the Society's customers?

The Society will continue to invest in providing new ways to save, new mortgage products, and in the service it provides. The Society want to be there for its customers when they really need us.

What's in it for the Society's communities?

The Society will continue to invest in its communities with a particular focus on helping people to have a place to call home, whilst also helping them towards greater financial wellbeing. The Society's colleagues will continue to support local charities through volunteering, the Society will extend its financial education programmes, and continue to reduce its impact on the environment.

What's in it for colleagues?

The Society is striving to become an employer of choice in its region, who champions diversity and embraces everyone. With its continued commitment to modern, flexible ways of working, we'll create the kind of workplace where we all have everything we need to do our best and be our best. It's a bold ambition and the Society made some great progress over the last year across a range of new initiatives – but it's just the beginning of what the Society thinks it can do by connecting members, communities and colleagues for the greater good.

Outlook: facing challenges together

As a mutual the Society always keep the needs of its members and their communities at the heart of its business. The Society's strong performance during 2023 means it is in a very good financial position to face into what could be a turbulent economic headwind. The Society will continue to support its members through the ongoing cost of living challenges whilst also balancing the various needs of its savers and borrowers. As always the Society is grateful to its members and each one of its dedicated colleagues for their continued trust and confidence in the Society. The Society looks forward to the coming years with a renewed sense of focus guided by a clear and impactful purpose.

SUMMARY STATEMENT

Results for the year	2023	2022
All figures £'000		
Net interest receivable	17,416	14,874
Other income and charges	(48)	(77)
Fair value gains and losses	(529)	478
Administrative expenses	(12,051)	(10,445)
Impairment gains / (losses) on loans and advances	(439)	(335)
Profit for the year before taxation	4,349	4,495
Taxation	(1,075)	(925)
Profit for the year	3,274	3,570

Financial position at the end of the year	2023	2022
All figures £'000		
Assets		
Liquid assets	113,395	138,218
Mortgages	597,534	497,973
Derivative financial instruments	3,391	6,645
Fixed and other assets	7,716	4,025
Total assets	722,036	646,861
Liabilities and Reserves		
Shares	564,178	493,397
Borrowings	95,611	91,499
Derivative financial instruments	2,420	1,704
Other liabilities	2,897	6,588
Reserves	56,930	53,673
Total liabilities	722,036	646,861

Summary of key financial ratios	2023	2022
As a percentage of shares and borrowings		
Gross capital	8.6%	9.2%
Free capital	7.9%	8.9%
Liquid assets	17.2%	23.6%
As a percentage of mean total assets		
Profit after taxation	0.5%	0.6%
Management expenses (Group)	1.8%	1.8%
Management expenses (Society)	1.8%	1.8%
As a percentage of total assets at year end		
Return on assets	0.5%	0.7%

Definitions

'Gross capital' represents the general reserve.

'Free capital' represents the general reserve plus provisions for bad and doubtful debts less tangible fixed assets.

'Mean total assets' is the average of the 2023 and 2022 year-end total assets.

'Liquid assets' represents available liquidity on the Group's balance sheet.

'Shares' represent retail deposits made by members

'Borrowings' represent funding and deposits provided by others e.g. Funding from Bank of England

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

Opinion on the summary financial statement

On the basis of the work performed, as described below, 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 2023 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

We have examined the summary financial statement of Market Harborough Building Society ('the Society') for the year ended 31 December 2023 which comprises the Results for the year and of the Financial Position at the end of the year, together with the Summary Directors' report.

Basis for 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 2023, 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 the 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 2023.

We also read the other information contained in the Summary Financial Statement 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 is unqualified and describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

Directors' Responsibilities

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

Auditor's Responsibilities

Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the Annual Members' Review 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.

The purpose of our work and to whom we owe our responsibilities

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.

Stefan Beyers (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

22 March 2024

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

DIRECTORS' REMUNERATION

Executive Directors' Remuneration

2023 All figures £	Base Salary	Benefits, Allowances & Other Payments	Performance pay annual incentive scheme	Performance pay long-term incentive scheme	Retention Bonus	Pension Contribution	Total
Iain Kirkpatrick	232,100	24,055	55,735	-	-	-	311,890
Nicholas Fielden	176,409	4,763	26,347	14,605	89,025	17,983	329,132
Annemarie Cossar	126,600	1,028	18,972	10,284	-	12,660	169,544
Total	535,109	29,846	101,054	24,889	89,025	30,643	810,566

2022 All figures £	Base Salary	Benefits & Allowances	Performance pay annual incentive scheme	Performance pay long-term incentive scheme	Retention Bonus	Pension Contribution	Total
Mark Robinson ¹	161,743	14,032	33,003	37,257	55,000	15,535	316,570
Nicholas Fielden	157,023	5,128	24,069	14,727	-	15,702	216,649
Iain Kirkpatrick ²	63,462	6,416	55,000	-	-	-	124,878
Total	382,227	25,576	112,072	51,984	55,000	31,237	658,096

¹ Remuneration amount covers 10 months

² Remuneration amount covers 3.5 months

The benefits and allowances received by Executive Directors relate to private medical insurance, the provision of a car allowance and pension allowance in lieu of contribution since only base salaries are pensionable. Mark Robinson gave notice in 2021 of his intention to retire in 2022 and the Board agreed to make a non-pensionable payment of £55,000 to him in return for extending his notice period by six months. He retired in September 2022 and received this payment. In addition, and in order to help provide a smooth transition for the incoming Chief Executive, Nicholas Fielden (Chief Finance Officer) received a payment of 50% of salary as he was still in post once the new Chief Executive had been employed for twelve months.

Non-Executive Directors' Remuneration

Directors fees All figures £	2023	2022
Lesley Titcomb	12,100	-
Michael Thomas	40,183	45,487
Lindsay Forster	28,433	25,333
Jonathan Fox	34,638	32,667
Andrew Merrick	34,638	32,667
Zoe Shapiro	30,650	28,825
David Stunell	30,650	28,825
Nala Worsfold	28,558	26,833
Total	239,850	220,638

SUMMARY DIRECTORS' REMUNERATION REPORT

This is a summary of the policy on Directors' Remuneration, which is set out in full in the Annual Report. Members will be asked to vote at the Annual General Meeting on an advisory resolution on the Board's policy on the remuneration of directors.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the Chair and the remuneration and other benefits of the Executive Directors and Senior Managers, and makes recommendations to the Board concerning the remuneration of non-executive directors and other staff. The Committee has reviewed workforce remuneration and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.

The Committee's terms of reference were last reviewed and updated in November 2023 and they are available on the Society's website. The Committee meets at least twice each year.

The Committee consists of at least two independent non-executive directors. In 2023 the members were: Jonathan Fox (Chair), Lindsay Forster and David Stunell. The Committee is chaired by an independent non-executive director who is not the Chair of the Board. The Committee's Chair had served more than 12 months on the Committee prior to appointment as Chair of the Remuneration Committee.

Executive Directors

For executive directors, the Society seeks to establish an appropriate balance between the fixed and variable elements of remuneration. The Committee has been mandated by the Board to ensure that fixed remuneration is in line with the market rate for executive directors in similar positions at comparable organisations. Performance appraisals of the executive directors are carried out at least annually to assess their success in meeting individual and corporate objectives.

The Committee has been mandated by the Board to reward exceptional performance through incentive schemes. Awards under the incentive schemes reflect the outcomes of appraisals.

The main components of the executive directors' remuneration are:

- Base salary and core benefits
- Variable remuneration incentive scheme

Base salaries take into account the content and responsibilities of the job, salary levels in comparable organisations and individual performance in the role. The Chief Executive is appraised annually by the Chair, and the Chief Executive carries out a performance assessment of the other executive directors.

Pension Benefits

The Society contributes to a defined contribution scheme for eligible staff, including Executive Directors, who may elect to receive this contribution as a pension allowance. Only basic salary is pensionable. The pension contribution rates for Executive Directors are aligned with those available to the workforce. Pension consequences and associated costs of basic salary increases, particularly for Directors close to retirement, are carefully considered when compared with workforce arrangements.

Other Benefits

The Society provides other taxable benefits to Executive Directors, namely private medical insurance.

None of the Executive Directors have a contractual notice period which exceeds one year, or a contractual entitlement to a termination payment which would exceed twelve months' salary and benefits.

Non-Executive Directors

The Board aims to ensure that fees are in line with the amount paid to non-executive directors in similar positions at comparable organisations. The Remuneration Committee makes recommendations to the full Board in respect of any changes to the remuneration of non-executive directors. As is conventional, additional fees are paid to the Chairs of the Assets & Liabilities Committee, Audit & Compliance Committee, Risk Committee and Remuneration Committee, in recognition of the additional workload and responsibility.

Non-executive directors' remuneration does not include any bonus payments, pension or other benefits. Non-executive directors do not have service contracts providing for notice periods which exceed three months; neither do they have any contractual entitlement to termination payments. Their effectiveness is appraised annually by the Chair, and the Board as a whole, under the leadership of the Senior Independent Director, assesses the Chair's performance.

Market Harborough
BUILDING SOCIETY

together we thrive!