

2018

A photograph of a man and a young child with curly blonde hair planting a small green seedling in a garden bed. The man is wearing a yellow t-shirt and blue shorts, and the child is wearing a green long-sleeved shirt and blue gloves. They are both looking down at the plant. The background shows a garden with other plants and a fence.

Summary Financial Statement

Including Notice of Annual General Meeting

Earl Shilton

BUILDING SOCIETY

YOUR MUTUAL FRIEND

SUMMARY FINANCIAL STATEMENT

for the year ended 31st March 2018

This financial statement is a summary of information in the audited Annual Accounts, 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 the Earl Shilton Building Society from 18th June 2018.

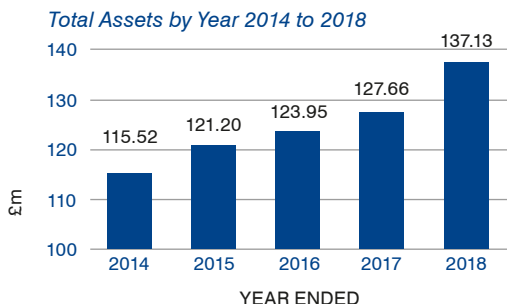
Approved by the Board of Directors on 21st May 2018.

M J RICE Chairman
P E BEARDSMORE Vice-Chairman
P TILLEY Director & Chief Executive

SUMMARY DIRECTORS' REPORT

REVIEW OF THE YEAR

The Society has enjoyed another positive year with continued growth in total assets, lending and savings balances, together with a healthy level of profit to improve on already excellent financial strength in the form of robust capital ratios.



The cost base remains under control showing only a modest increase in percentage terms year-on-year when the Barwell branch refurbishment expenditure is excluded.

Economic conditions continue to be impacted by the process of exiting the European Union ("Brexit") with many elements of the negotiations remaining unanswered. This has led to uncertainty with some deferred or cancelled consumer spending and business investment.

The above factor has contributed to moderated growth in the UK economy when compared to the preceding year. The UK's performance has been outpaced by a number of other economies, notably the United States of America, China and the European Union.

Given the above, the Bank of England's decision to increase its base rate by 0.25% to 0.50% in early November 2017 was a first tentative step towards policy normalisation. However, interest rates still remain very low by historic standards.

Inflation increased during 2017 with the CPI (Consumer Prices Index) measure hitting 3.1% in November, the highest for some years. The fall in the value of the pound has caused the cost of imported goods to rise and the increase in the price of oil has affected fuel costs. Although the inflation rate reduced during the first quarter of 2018 it still remained in excess of the Government's 2% target as at the 31st March 2018.

Household income for many was squeezed during the year due to subdued wage growth when compared to inflation. This has exacerbated the reduced appetite for consumer spending and as a consequence the level of savings relative to disposable income is very low.

Pleasingly, unemployment has moderately fallen during the last 12 months although the dynamics of the market have changed for many with a greater number of people now self-employed or on limited contracts.

Over the last few years the property market has received an injection from the Government by introducing cheap funding into the loan and mortgage markets. These schemes are known as the "Funding for Lending Scheme" ("FLS") and the "Term Funding Scheme" ("TFS"). The Society did not participate in either scheme. Demand for mortgages is evenly balanced despite the relatively fragile economic conditions. However, even with these Government interventions property transaction numbers have remained broadly similar during the last two years; many homeowners are choosing to remain in their property rather than move. The rate of new home building has improved year-on-year but is still arguably below that required and as a consequence there remains a shortage of supply of properties both in total, location and type to meet demographic needs of the current and expected population. This shortage has resulted in property values, on average, increasing during the last twelve months but with a number of regional differences.

Price and criteria competition in the mortgage market has intensified further given the relatively benign property market as lenders have sought to meet their growth targets. The Society must compete on the mortgage front to attract high quality borrowers but is acutely aware of the need to balance the needs of all members and we will continue to protect savers as far as possible.

The significant and material refurbishment of the Barwell branch took place towards the end of the business year to enhance the facilities and service provided to the local community. The branch now resembles the Society's Head Office branch, which was improved a few years ago. This investment emphasises the Board's ongoing commitment to the local area.

A new website was launched during the year to improve the user's experience and navigational capabilities. Since implementation, site visits and the number of online users have increased.

Significant development work has been undertaken to improve further our cyber resilience, and the introduction of the General Data Protection Regulation in May 2018 has consumed substantial time and effort in order that the Society remains compliant with this important new requirement.

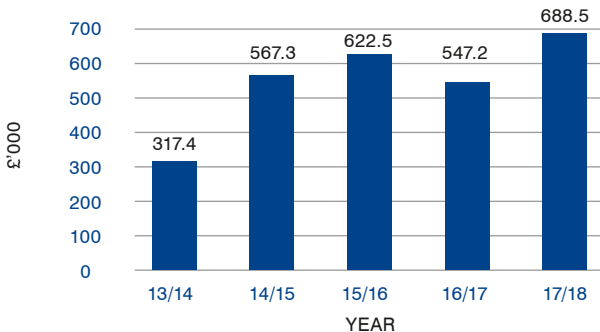
The Society has expanded the number and type of questionnaires it uses to seek greater feedback - this assists with our understanding of what members want and need, thus enabling product offerings and service requirements to be more widely considered.

The Society is currently supporting two staff members, particularly with mentoring, in their quest to obtain a Master's degree in Leadership as part of the Society's succession planning.

A detailed breakdown of our results is shown later in this Report. However, it is worth commenting on the results as follows:

Profit

Profit for year after taxation in £'000



We need to optimise but not maximise profit to protect against financial shocks, to meet regulatory requirements and to enable investment and growth in the business for the good of members. The year's operating profit figure before impairment, provisions and tax has modestly increased when compared to 2017. The majority of the change is attributable to an increase in the difference between the interest rates paid to savers and received from borrowers. The Society remains in a sound financial position.

Growth

As mentioned earlier, general economic conditions are fragile so against this backdrop the Society is pleased to report growth in the Society's overall size of over 7% with mortgage balances increasing by over 2%. Mortgage advances reduced and redemptions increased over the last 12 months due to intensive competition, but the Society still produced a positive growth outcome. Furthermore, new lending during the previous year had been at a record high. The Society's ability to both retain existing borrowers and attract new borrowers is important for its continued success.

The Society only seeks to lend prudently and continues to individually underwrite all applications to assess credit quality rather than rely on automated credit scoring systems. We believe a personal approach helps us to understand our customers better.

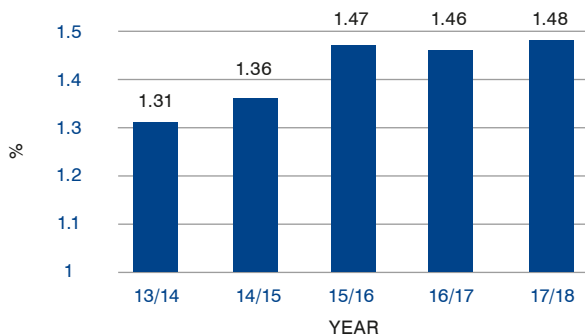
Our arrears performance remains very good. There were only 4 accounts which are 3 or more monthly payments in arrears as at the 31st March 2018 (2017: 4). No property was taken into possession during the last 12 months. However, the Society remains vigilant to the financial stresses that occur for borrowers. The Society continues to offer constructive assistance and forbearance to borrowers in financial difficulty where appropriate. Currently we are assisting 3 borrowers in this area. The collective provision is assessed in a balanced manner to enable the Society to cover future unexpected losses on lending – a cautious view is taken on the property and mortgage market relative to the Society's past experience of arrears and losses.

There has been a material increase in overall balances held by savers of over £7m in the last 12 months (2017: £2m). This demonstrates that savers are responding positively to the Society's range of products. In addition, the Society has always tried to offer consistently competitive interest rates rather than offering "teaser" interest rates. During the year the Society has found it necessary to restrict new saving account opening, most recently to only permit residents of Earl Shilton and Barwell to do so such has been the popularity of the products. The Society is proud to support all members, but particularly savings account holders in the locality.

Management Expenses

The expenses ratio, for recurring expenditure, has increased modestly over the last 12 months as a result of continued investment in the Society, particularly with staff and within the IT environment. The Board continues to seek ways of increasing operational efficiency but not at the expense of the customer service provided to members.

Recurring Management Expenses as a % of average total assets



Other Matters

Sadly, due to changes in their professional circumstances both Gary Little and Stephen Burnside resigned from the Board of Directors during the year. The Directors would like to acknowledge their contribution to the Society during their tenure.

A recruitment process was undertaken to appoint two new Directors following the resignations. Following a robust search Laura Mackie and John Stables were both appointed to the Board in November 2017. Both are seeking election at this year's Annual General Meeting and live within the Society's heartland. Laura has extensive retail banking and marketing experience whilst John is a chartered accountant by profession and has spent many years in business.

Conclusion

The Society has performed very well over the last 12 months returning robust profit, growth in both mortgage and savings balances and effectively managing costs whilst investing in the future of the Society.

DONATIONS AND COMMUNITY SUPPORT

As a local Society the Directors believe that it is important to support worthwhile causes in a prudent manner. No donations were made for political purposes and listed below are organisations that the Society has helped. In total the Society made contributions of support amounting to £1,669 (2017: £2,106), including charitable donations of £1,019 (2017: £1,011).

Age UK; The Air Ambulance Service; Anthony Nolan; Barwell Carnival; Barwell & Earl Shilton Disability Group; Barwell Methodist Church; Barwell Bloomers; Earl Shilton In Bloom; A Gift To Lift; RSPCA; Stroke Association; Townlands School Raffle Prize; Warning Zone Life Skills Centre.

In addition, the Society and staff supported the Stroke Association Charity, which was the Society's nominated charity for the year. This was done through various events including: a sponsored walk, shortbread bake off, Vintage quiz & afternoon tea and donations instead of Christmas cards.

CONDUCT RISK / TREATING CUSTOMERS FAIRLY

The Directors expect the Society to treat its customers fairly at all times. We would ask our members to let us know if they consider that we have not achieved this important commitment on any occasion. Do please contact our Chief Executive or the Senior Independent Director at the Society's Head Office in this regard. The Directors are determined to maintain the highest standards of honesty, integrity and fairness in the culture and conduct of the Society for the benefit of members.

STAFF

We believe in the value of personal service and have avoided a call centre approach to dealings with our members. The Directors know that our staff are the "front line" in dealing with our members and wish to thank all the team for their continued loyalty and hard work.

The Society operates a Policy on Equality and Diversity to provide opportunity for all, although no targets are deemed appropriate.

FINANCIAL RESULTS AND KEY PERFORMANCE INDICATORS

Key performance indicators for the last three years are shown below:

		2018	2017	2016
Gross capital		£11.17m	£10.47m	£9.93m
Operating profit before impairment and provisions		£825,584	£713,566	£816,019
Profit for the year after taxation		£688,458	£547,163	£622,473
Total assets		£137.13m	£127.66m	£123.95m
Mortgage balances		£103.21m	£101.03m	£91.14m
Share balances		£116.07m	£108.64m	£105.84m
Liquidity ratio as a percentage of shares & borrowings		26.31%	22.08%	28.06%
Management expenses as a percentage of average total assets	Excluding branch refurbishment costs	1.48%	1.46%	1.47%
Management expenses as a percentage of average total assets	Including branch refurbishment costs	1.53%	1.46%	1.47%

An explanation of the terms used above is as follows:

Gross capital represents the accumulation of profit for the Society over the years and provides protection for savers and a fund against future losses.

Operating profit shows the difference between interest charged to borrowers and paid to savers after allowing for the expenses of running the Society.

Profit for the year takes into consideration provisions (or recoveries) on loans, investments and other assets and liabilities as well as Corporation Tax. It is added to general reserves each year.

Total assets indicate the overall size of the Society.

Mortgage balances equate to the total amount owed to the Society by borrowers less provisions.

Share balances represent the total sum invested by personal savers.

Liquidity refers to the Society's liquid assets as per the balance sheet and is used to meet commitments as they fall due.

Management expenses provide a cost ratio when compared to the Society's average size over the year.

Capital and Profit

Whilst delivering asset growth the Society maintained a strong capital position throughout the year. The Society uses a number of measures of capital as shown in the following table.

		2018	2017
Gross capital	Total	£11.17m	£10.47m
	As a % of total assets	8.15%	8.20%
Operating profit before impairment and provisions	Total	£825,584	£713,566
	As a % of average total assets	0.62%	0.57%
Profit for the financial year		£688,458	£547,163

It is important that the Society maintains healthy profit levels to support its growth and to be able to continue its lending programme.

Interest Margin

The net interest margin represents net interest receivable as a percentage of average total assets. This year, that has increased to 2.15% (2017: 2.02%).

Total Assets

Total assets increased to £137.13m (2017: £127.66m), an increase of 7.41% (2017: 2.99%).

Liquid assets, as at 31st March 2018, in the form of cash and authorised securities were £33.03m (2017: £25.78m) which is 26.31% (2017: 22.08%) of shares and borrowings. These liquid assets, which are not lent to mortgage borrowers, have increased during the year and are maintained at a level which balances operational efficiency whilst enabling the Society to meet all its commitments as they fall due. Liquid assets remain significantly above the Board's internal assessment of its minimum requirements and the minimum regulatory requirement.

Mortgage Lending

During the year £20.28m (2017: £25.76m) was advanced to borrowers to buy, refinance or improve their properties. Total mortgage balances at the end of the year amounted to £103.21m (2017: £101.37m) before provision for impairment. Mortgage balances increased in the year by £2.17m (2017: £9.85m), an increase of 2.14% (2017: 10.75%). In common with other building societies, we experienced a number of cases in which borrowers could not meet their mortgage commitments. It continues to be the Society's policy to look at each individual case and try to make suitable arrangements which may include extending the term for repayment or converting a capital and interest repayment mortgage to interest only. There were three (2017: three) mortgage accounts with forbearance measures at the end of the year. Provisions for impairment were £331,717 at the year-end (2017: £346,405). At 31st March 2018 there were no (2017: nil) mortgage accounts which were twelve or more months in arrears. There were no properties in possession (2017: nil) at the year end. The Society recognises a provision for the impairment of a mortgage asset where there is objective evidence that a loss event has occurred which may impact the future cash flows expected from the asset. This is explained further in note 1 of the accounts.

Shares and Deposits

Savers' and depositors' balances, which excludes amounts owed to credit institutions, increased by £9.73m (2017: £2.40m) and amounted to £125.51m (2017: £115.78m), an increase of 8.40% (2017: 2.12%). The retail savings market continues to account for substantially all of the Society's funding. At 31st March 2018 the Society held no short-term wholesale borrowing from other financial institutions (2017: £1.00m).

FUTURE EVENTS

The UK economic environment is expected to remain challenging with volatility in both the near and medium term. This is in-part driven by the uncertainty around the final outcomes from the exit from the European Union which is likely to dampen business and consumer confidence.

The "Funding for Lending Scheme" and the "Term Funding Scheme" have recently come to an end in that no new funding is being provided to lenders albeit repayment of the sums borrowed by lenders will occur over the next few years. This may give rise to the possibility of property value deflation in the medium term although this outcome may be offset by the shortage of new house building. Additionally, this may increase lenders' demand for savers' funds across the UK in the coming years.

The path of future interest rates remains far from clear. A gradual increase is most likely but it is expected that interest rates will remain low by historic standards for many years.

Notwithstanding this backdrop, the Society remains in excellent financial health and, therefore, our prospects remain good. The Society will continue to seek controlled and profitable growth for the benefit of members.

The Society's website will be developed further over the next 12 months to increase functionality and its ease of use for mortgage intermediaries.

The mechanism and speed for the clearance of cheques deposited by members is likely to change, leading to a simplified and improved service.

VOTING

We are going to donate 40p per valid vote received (up to a maximum of £1,000) to charity. As a mutual organisation, we do try to involve our members and we believe this is a tangible acknowledgement of membership participation.

Last year, as a result of your votes, we donated £270 to Age UK Leicester Shire & Rutland, and £180 to Anthony Nolan. Once again two charities are on the Proxy Form, and you decide which of the two receives 40p for your valid AGM vote. The choices are:-

STROKE ASSOCIATION - Charity Registration No. 211015 (www.stroke.org.uk)

Stroke Association is the UK's leading charity dedicated to conquering stroke. They rely on public support to provide vital services, campaign for better stroke care and to find better treatments. There are over 1.2 million stroke survivors in the UK with 100,000 strokes happening in the UK each year. That's one stroke every five minutes. Even though you are now twice as likely to survive a stroke compared to 20 years ago, stroke is still the fourth single largest cause of death in the UK. They know they need to change how people think about stroke and challenge the myths surrounding it. They push for greater awareness of stroke and its warning signs and campaign for better stroke care.

Please consider giving your vote to STROKE ASSOCIATION

LOROS – Charity Registration No. 506120 (www.loros.co.uk)

LOROS, The Leicestershire and Rutland Organisation for the Relief of Suffering, is a local charity whose aim is to enhance the quality of life of patients with cancer, progressive neurological conditions (such as Motor Neurone Disease), and also patients with end stage heart, kidney and respiratory failure for whom curative treatment is no longer possible. LOROS helps over 2,500 patients and their families each year, and the demand on their services continues to grow. To continue to offer their services free of charge they need to raise £5 million annually.

LOROS services include; an In-patient unit of 31 beds, a Palliative Day Therapy Unit, a Counselling Service for patients and their families, Lymphoedema Clinics, Medical Outpatients Clinics, Complementary Therapy Clinics, a Community Nurse Specialist Team, Bereavement Services and Chaplaincy.

Please consider giving your vote to LOROS

DIRECTORS

The following persons were Directors of the Society during the year: Neil D Adams, Paul E Beardsmore, Stephen J Burnside, Ian M Dale, Gary Little, Laura J Mackie, Audrey J McNair, Martin J Rice, John Stables and Paul Tilley.

Gary Little and Stephen J Burnside resigned as Directors on 31st August 2017. Laura J Mackie and John Stables were appointed as Directors on 1st November 2017.

Paul E Beardsmore is the Society's Senior Independent Director and Vice-Chairman. Paul is an experienced former building society executive and will be pleased to look at any issues members might have that they would prefer not to raise in the usual way with the Society's Management Team or Chairman.

Ian M Dale and Paul Tilley retire by rotation and, being eligible, offer themselves for re-election. In accordance with Rule 26(1), Laura J Mackie and John Stables also offer themselves for election by the members. In the Notice of Annual General Meeting you will find brief biographical notes on the Directors standing for re-election and election.

At 31st March 2018 no Director had any interest in shares of any associated body of the Society.

On behalf of the Board of Directors

M J Rice
Chairman

21st May 2018

SUMMARY STATEMENT

	2018 £	Restated* 2017 £
SOCIETY'S RESULTS FOR THE YEAR		
Net interest receivable	2,851,212	2,540,412
Other income and charges	(459)	15,343
Administrative expenses	(1,964,743)	(1,842,189)
Branch refurbishment costs	(60,426)	-
Operating profit before provisions	825,584	713,566
Provisions for impairment of loans and advances	14,688	30,915
Provisions released/(made) for FSCS levy	21,593	(52,262)
Profit for the year before taxation	861,865	692,219
Taxation	(173,407)	(145,056)
Profit for the year	688,458	547,163
FINANCIAL POSITION AT END OF YEAR		
Assets		
Liquid assets	33,025,730	25,780,371
Mortgages	103,211,364	101,027,356
Fixed and other assets	893,017	856,922
Total Assets	137,130,111	127,664,649
Liabilities		
Shares	116,065,694	108,644,480
Borrowings	9,439,622	8,132,214
Other liabilities	462,512	414,130
Reserves	11,162,283	10,473,825
Total Liabilities	137,130,111	127,664,649

Summary of Key Financial Ratios

	2018 %	2017 %
Gross capital as a percentage of shares and borrowings	8.89	8.97
Liquid assets as a percentage of shares and borrowings	26.31	22.08

As a percentage of mean total assets:

Profit after taxation	0.52	0.43
Management expenses	1.53	1.46
Management expenses excluding branch refurbishment costs	1.48	1.46

Prior year restatement

*The Society has identified a prior year reclassification which is required. There is no change to total income, profit before taxation or net assets. Please see note 1 in the Annual Report and Accounts for more detail.

Gross capital as a percentage of shares and borrowings

Gross capital comprises general reserves. The gross capital ratio measures the proportion which the Society's capital bears to the Society's liabilities to holders of shares and deposits (investors). Gross capital provides a financial buffer against any losses which might arise from the Society's activities and therefore protects investors.

Liquid assets as a percentage of shares and borrowings

The liquid assets ratio measures the proportion that the Society's total assets held in the form of cash, short-term deposits and debt securities bear to the Society's liabilities to investors. The Society operates within a defined range of liquidity ratios which is sufficient to meet requests by members for withdrawals from their accounts and to make new mortgage loans.

Profit for the year as a percentage of mean total assets

The profit/assets ratio measures the proportion that the Society's profit after taxation for the year bears to the average of the Society's total assets during the year. The Society aims to make a reasonable level of profit in order to maintain its capital strength. 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.

Management expenses as a percentage of mean total assets

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

Independent Auditor's statement to the members and depositors of Earl Shilton Building Society

We have examined the Summary Financial Statement of Earl Shilton Building Society ('the Society') for the year ended 31st March 2018 set out on pages 2 to 10.

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 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 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 31st March 2018, 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 31st March 2018.

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 31st March 2018 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Alain de Braekeleer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants, 1, Sovereign Square, Sovereign St, Leeds LS1 4DA

21st May 2018

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

The purpose of this Report is to inform members of the current policy for remuneration of the Society's Directors including the two Executive Directors. In particular, the Report provides details of the different elements of the Executive Directors' remuneration and explains the process for determining them.

An advisory resolution will be put to the Society's AGM inviting members to vote on the Directors' Remuneration Report. The Society complies with the relevant aspects of the FCA's Remuneration Code.

REMUNERATION POLICY

The Society's Policy is to remunerate its Executive Directors through a combination of salary and benefits, which are regularly compared with other building societies and comparable financial institutions.

THE REMUNERATION COMMITTEE

The Committee comprises three Non-Executive Directors. It is responsible for determining the remuneration levels of the Executive Directors, as well as the Board Chairman and senior staff within the Society.

The Committee recommends to the Society's Board fee levels for Non-Executive Directors and salary and benefit levels for all other members of staff. The Committee meets at least twice a year. The members of the Committee during the year are detailed on page 14 of the Annual Report.

The Committee takes account of the UK Corporate Governance Code (published April 2016), as far as it is applicable to the Society.

EXECUTIVE DIRECTORS' REMUNERATION

This aspect of the Remuneration Policy is designed to attract and retain high calibre and well-qualified Executives, having the skills and experience necessary to lead a complex business operating in a highly regulated market. To achieve this, the Committee seeks to ensure that the overall level of remuneration awarded to the Executive Directors is fair, competitive and reasonable by comparison to remuneration offered by similar building societies and comparable financial institutions, as well as the contribution made by the Executive Directors to the success of the Society during the year.

The Remuneration Committee operates independently and its discussions and recommendations to the Society's Board are free from influence by the Executive Directors.

BASIC SALARY

Basic salaries are reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations.

INCENTIVES

A non-contractual payment calculated as a percentage of basic salary has been paid to all staff, including Executive Directors, in December for a number of years. The percentage amount is variable year on year with all staff receiving the same. This year a non-contractual payment of 3% of basic salary was paid (2017: 3%).

BENEFITS

The Society offers other taxable benefits to Executive Directors including concessionary mortgage facilities, a fully expensed car, health care provision and permanent health insurance. As an alternative, a cash allowance is available in substitution for a fully expensed car and will be included in basic salary.

PENSION BENEFITS

The Society operates a contributory money purchase scheme and makes contributions for all qualifying staff, including Executive Directors.

CONTRACTUAL TERMS

The service contract terms for Executive Directors include a notice period of not less than six months by the individual and the same period by the Society. These terms are not alterable in the event of a transfer of engagements to another Society where employment is to be terminated.

NON-EXECUTIVE DIRECTORS' REMUNERATION

All Non-Executive Directors are remunerated by fees which are reviewed annually and compared with other building societies and relevant comparable institutions. The Board Chairman, Chairman of the ARACC and Chairman of the Remuneration Committee also receive additional payments reflecting the additional duties and responsibilities of their roles. The Chairman of the ALCO currently receives no additional payment given his concurrent role as Chief Executive.

Non-Executive Directors do not receive a salary or other taxable benefits and do not have service contracts, but are entitled to claim reimbursement of expenses incurred on behalf of the Society.

FURTHER INFORMATION

Details of remuneration paid to all Directors are shown on the next page. No compensation arrangements are entered into which might reward poor performance.

The Remuneration Committee's complete Terms of Reference are available for download on the Society's website at the following address: <http://www.esbs.co.uk>.

During the period to which this report relates, the Chairman of the Remuneration Committee was Paul E Beardsmore.

P E Beardsmore

Chairman of the Remuneration Committee

21st May 2018

DIRECTORS OF THE SOCIETY REMUNERATION DETAILS ARE SET OUT BELOW:

2018

	Fees £	Salary £	Benefits £	Pension scheme contributions £	Total £
Non-Executive Directors					
M J Rice (Chairman)	24,543	-	-	-	24,543
P E Beardsmore (Vice-Chairman)	17,458	-	-	-	17,458
S J Burnside (To 31st August 2017)	4,165	-	-	-	4,165
I M Dale	16,910	-	-	-	16,910
G Little (To 31st August 2017)	4,165	-	-	-	4,165
L J Mackie (From 1st November 2017)	7,150	-	-	-	7,150
A J McNair	20,726	-	-	-	20,726
J Stables (From 1st November 2017)	7,150	-	-	-	7,150
Executive Directors					
N D Adams (Deputy Chief Executive & Finance Director)	-	76,867	5,167	11,190	93,224
P Tilley (Chief Executive & Secretary)	-	102,287	12,606	9,926	124,819
Total 2018	102,267	179,154	17,773	21,116	320,310

2017

	Fees £	Salary £	Benefits £	Pension scheme contributions £	Total £
Non-Executive Directors					
M J Rice (Chairman)	24,288	-	-	-	24,288
P E Beardsmore (Vice-Chairman)	17,368	-	-	-	17,368
S J Burnside (From 1st November 2016)	6,942	-	-	-	6,942
I M Dale	16,621	-	-	-	16,621
G Little (From 18th July 2016)	11,058	-	-	-	11,058
A J McNair	20,242	-	-	-	20,242
C G Packham (Retired 13th July 2016)	4,763	-	-	-	4,763
Executive Directors					
N D Adams (Deputy Chief Executive & Finance Director)	-	73,883	4,184	10,756	88,823
P Tilley (Chief Executive & Secretary)	-	97,816	11,724	9,494	119,034
Total 2017	101,282	171,699	15,908	20,250	309,139

Included in the emoluments of Executive Directors in 2018 are incentive payments amounting to 3% of salary (2017: 3%).

SUMMARY CORPORATE GOVERNANCE REPORT

OVERVIEW

The Board is committed to best practice in Corporate Governance as it affects the Earl Shilton Building Society. Due regard is given to the UK Corporate Governance Code (April 2016) in so far as the Code applies to a mutual organisation of our size.

The Board assumes full responsibility for the overall strategy, the operation of the Society and the monitoring of performance. The Directors continue to believe that members are best served by the Society retaining its mutual status.

The AGM provides members with an opportunity to engage with the Directors either formally or informally. To encourage voting, the Society will financially support two charities, each of which will receive a donation based on the number of votes received. We use member questionnaires to obtain views on the Society. In the event of a significant vote (25% or more) against any resolution at the AGM, the Society would seek feedback from the membership to identify if any remedial action was considered necessary by the Board.

PRINCIPAL FUNCTIONS OF THE BOARD

The principal functions of the Board are to:-

- set the Society's strategy and risk appetite;
- measure its progress;
- ensure sufficient resources are available to meet the objectives;
- ensure the Society is prudently managed; and
- comply with all legal and regulatory requirements.

The Board meets at least nine times a year and separately undertakes a formal review of strategy at least annually. Additional Board meetings take place when required.

The Chairman of the Board is responsible for the leadership of the Board, setting the direction and culture of the Board and ensuring effective contributions from all Directors.

The Board reviews the composition of the Committees on an annual basis to ensure each Committee has the appropriate expertise. Likewise, the Board reviews the Committees' Terms of Reference to ensure they remain relevant and up to date. These are available on request from the Society's Secretary and on the Society's website at www.esbs.co.uk.

The Board delegates certain functions and in some situations decision making to various Committees. During the year the following Committees were in operation:

- Assets and Liabilities Committee
- Audit, Risk Assessment and Compliance Committee
- Nominations Committee
- Remuneration Committee
- Lending Committee

BALANCE AND INDEPENDENCE

The offices of Chairman and Chief Executive are distinct and are required to perform different duties. No one person may fulfil both roles. The Chairman is responsible for leading the Board, ensuring its effectiveness and communicating with the Society's members on behalf of the Board. The Chief Executive is responsible for implementing the strategy agreed by the Board and managing the Society's business and operations within the parameters set by the Board.

The Senior Independent Director is Paul E Beardsmore who is available to members if they have concerns regarding their membership of the Society and do not wish to contact either the Chairman or Chief Executive.

The Non-Executive Directors periodically meet without the Executive Directors in attendance to provide further evidence of independent judgement.

BOARD APPOINTMENT AND PROFESSIONAL DEVELOPMENT

The Board regularly assesses the range of skills and experience of the Directors to determine if they match the needs of the business currently conducted and that being developed.

Recruitment of Directors follows a rigorous, formal and transparent procedure and once a Director is appointed an induction process is undertaken.

All Directors must meet the tests of fitness and propriety laid down by the PRA and the FCA. All Directors who hold a Senior Management Function ("SMF"), as prescribed by the PRA and the FCA, must be registered with the regulators as an Approved Person. Directors who do not hold a SMF must be notified to the regulators.

The Chairman of the Board ensures that the Directors are provided with sufficient information and training to enable them to discharge their duties as Directors.

Directors must stand for re-election at least every three years in accordance with Rule 26 of the Society's rulebook. The Board expects that, in accordance with the UK Corporate Governance Code (April 2016), Non-Executive Directors will serve for a maximum period of nine years but in exceptional circumstances this may be extended and the Non-Executive Director concerned will be required to stand for annual re-election. The Board considers all Non-Executive Directors to be independent in character and opinion except the person holding the role of Chairman of the Board who can only be considered independent at the date of appointment.

In respect of Ian M Dale and Paul Tilley who are standing for re-election this year and Laura J Mackie and John Stables who are standing for election, the Board considers that they continue to be effective, committed to the Society and provide the balance of skills and experience to enable the Board to discharge its duties.

All Directors are annually appraised individually. The Chairman evaluates the contribution made by all other Directors. The Chairman is similarly evaluated by the other Directors led by the Senior Independent Director. The Board and Committees are individually subject to an annual self-evaluation.

M J Rice
Chairman

21st May 2018

Note - Members with more than one investment account may receive a copy of this Summary Financial Statement in respect of each such account. The administrative cost of removing duplicate statements exceeds the cost of printing and postage of the extra copies.

Earl Shilton Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

A schedule of interest rates paid during the year ended 31st March 2018 is included in the AGM pack.

Contact and Other Information

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Website address:	www.esbs.co.uk
Telephone number:	01455 844422
Fax number:	01455 845857
Email address:	enquire@esbs.co.uk

DIRECTORS

Martin J RICE LLB LLM (Distinction)	Chairman
Paul E BEARDSMORE FCIB	Vice-Chairman
Neil D ADAMS FCA	
Stephen J BURNSIDE BA Hons	(Resigned 31st August 2017)
Ian M DALE ACA	
Gary LITTLE FCA BCom	(Resigned 31st August 2017)
Laura J MACKIE BA BSC ACIB	(Appointed 1st November 2017)
Audrey J McNAIR MA FCIBS	
John STABLES BA FCA	(Appointed 1st November 2017)
Paul TILLEY JP ACIB CeRGI CeMAP	

CHIEF EXECUTIVE & SECRETARY

Paul TILLEY JP ACIB CeRGI CeMAP

DEPUTY CHIEF EXECUTIVE & FINANCE DIRECTOR

Neil D ADAMS FCA

INTERNAL AUDITORS

RSM Risk Assurance Services LLP

EXTERNAL AUDITORS

KPMG LLP
Chartered Accountants and Statutory Auditor

Established 1857

Member of the Building Societies Association

Founded 1896

Notice of Annual General Meeting

Notice is given that the 161st Annual General Meeting of the members of Earl Shilton Building Society will be held on Wednesday 11th July 2018 in The Hall, Age UK, Senior Citizens Centre, Kings Walk, Earl Shilton, LE9 7NL at 6.00 p.m. for the following purposes:-

- 1 To receive the Auditors' Report.
- 2 To approve the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31st March 2018.
- 3 To approve the Directors' Remuneration Report.
- 4 To appoint KPMG LLP as auditors until the conclusion of the next Annual General Meeting.
- 5 Election of Directors.
 - (a) To re-elect IAN MICHAEL DALE
 - (b) To re-elect PAUL TILLEY
 - (c) To elect LAURA JAYNE MACKIE
 - (d) To elect JOHN STABLES
- 6 To transact any other business permitted by the Rules of the Society.

By Order of the Board

P Tilley

Chief Executive and Secretary

21st May 2018

Biographical Notes of the Directors Standing for Election – AGM 2018

Ian Dale aged 60

Ian Dale joined the Society as a Non-Executive Director in May 2015. He is also a member of its Audit, Risk Assessment and Compliance Committee and its Assets and Liabilities Committee. Ian is a Chartered Accountant and has spent the majority of his career working in the mutual building society sector, particularly within the balance sheet management field. Alongside his work for the Society, Ian is on the board of Aspire, a Staffordshire-based housing association, and is a Trustee Director for a pension fund. His interests include travelling and football, and as a keen cyclist, he participates in a 100-mile charity ride each year.

Paul Tilley aged 52

Paul Tilley has been Chief Executive of the Society since December 2011 and has worked in building societies his entire career in roles ranging from strategy, sales, compliance, risk management, governance and operations. He is the Chairman of the Assets and Liabilities Committee and acts as the Society's Secretary. Paul holds chartered banking and mortgage adviser qualifications. Born in Leicestershire, Paul still lives within the East Midlands and counts rugby union as his main passion outside of work. He sits on the committee of a local rugby club and can be found refereeing across the county at the weekend. Within the community Paul has acted as a Magistrate since 2006 and still occupies this voluntary role.

Laura Mackie aged 41

Laura Mackie has been a Non-Executive Director of the Society and a member of its Assets and Liabilities Committee and its Remuneration Committee since joining in November 2017. As a Chartered Banker, Laura spent her early career working in branch management for HSBC Bank, before moving into the fast-moving consumer goods sector, predominantly within finance, sales and marketing. Outside of work, Laura spends much of her time with family and friends and is constantly planning new adventures to go on.

John Stables aged 61

John Stables joined the Society in November 2017 as a Non-Executive Director and a member of its Audit, Risk Assessment and Compliance Committee and its Nominations Committee. A Chartered Accountant by profession, John retired as Chief Financial Officer of Openfield Group, the UK's largest farmer-owned grain marketing mutual, in December 2016. John has a keen interest in the UK's Inland Waterways and his hobbies include travelling, following cricket as a Marylebone Cricket Club member, and watching rugby. He also enjoys spending time with his children and particularly, his grandchildren.

Earl Shilton Building Society: 2018 Annual Results



£688,458
Post tax profit



Total assets
£137.13m



£7m
Savers' balances increase



7.41%
Total asset growth



£103.21m
Total mortgage
balances

Earl Shilton

BUILDING SOCIETY
YOUR MUTUAL FRIEND

22 THE HOLLOW, EARL SHILTON, LEICESTER LE9 7NB

t 01455 844422 **f** 01455 845857 **w** www.esbs.co.uk **e** enquire@esbs.co.uk

Branch office: Malt Mill Bank, Barwell, Leicester

Authorised by the Prudential Regulation Authority and regulated by the
Financial Conduct Authority and the Prudential Regulation Authority

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