

Summary Financial Statement

for the year ended
31 December 2010



**Your
Society's
results
2010**

Summary Financial Statement

**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 annual accounts, directors' report, and annual business statement, all of which will be available to members and depositors on demand at every office of Market Harborough Building Society after 8 April 2011.

Approved by the Board of Directors on 24 February 2011.

D W Baker
Chairman

J G Hatcher
Vice-Chairman

M T Robinson
Chief Executive

Directors' Report

Your directors have pleasure in presenting their summary financial statement for the year ended 31 December 2010.

Business Objectives

Your Society's principal business objectives are the provision of secured lending on residential property, savings products for private individuals, and related insurance and other financial services. Our products are promoted nationally via the internet and by post, and in Leicestershire and Northamptonshire through our branches and agency. We seek to develop by offering the combined advantages of value-for-money and innovation in our products and by delivering a first class service to our members.

Review of the Year

Introduction

2010 was a year of good progress as the Society was able to build on its sturdy foundations to deliver growth in both savings and mortgage balances in a very sluggish market. That this was achieved whilst delivering very satisfactory profits was a reflection of continued support by our members of our mutual values.

As a result we maintained strong Gross and Free Capital ratios which now stand at 6.79% and 6.45% respectively (2009: 6.93% and 6.58%). Costs were actively managed whilst making appropriate investment in the business. At the same time the legacy of lending decisions made over many years is that we have seen no significant deterioration in the performance of our loan book and still have not made a single repossession since 2006. We still see no problems in the loan book which warrant a specific provision. However, the outlook for the economy remains muted and therefore we have again modestly added to our general mortgage provision.



YOUR SOCIETY'S RESULTS 2010

Key Performance Indicators

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

	2010	2009	2008
Total assets	£432.67m	£417.33m	£426.08m
Growth/(reduction) in mortgage assets	2.80%	(1.94%)	(1.12%)
Net increase/(decrease) in retail share balances	£16.40m	(£6.12m)	£9.53m
Management expenses as a percentage of mean total assets	1.01%	1.04%	0.99%
Post-tax profit	£0.75m	£1.01m	£0.50m
Profit as a percentage of mean total assets	0.18%	0.24%	0.12%
Net interest receivable as a percentage of mean total assets	1.21%	1.31%	1.13%
Gross capital as a percentage of shares and borrowings	6.79%	6.93%	6.61%
Free capital as a percentage of shares and borrowings	6.45%	6.58%	6.23%

For an explanation of terms see page 6.

The figures in 2009 for management expenses and post-tax profits were affected by a one-off past service cost adjustment of £0.20m in respect of the defined benefit pension scheme. Excluding this adjustment the management expenses ratio would have been 0.99% and post-tax profits would have been £1.15m.

Post-tax profit is after a charge in respect of the Society's liability to the Financial Services Compensation Scheme. If this is excluded the post-tax profit in 2010 would have been £0.83m. The post-tax profits in 2008 and 2009 would have been £0.76m and £1.06m respectively.

Highlights of 2010

- **Growth in total retail share and deposit balances of over £20m**
- **Successful launch of corporate deposit account**
- **Increase in gross annual mortgage lending to nearly £70m**
- **Very low levels of mortgage arrears and no property repossessions**
- **Continued support for the community both direct and through our Charitable Foundation**
- **Cost-effective rebrand, including re-launch of website**

Board Composition

As at 31 December 2010 the Board comprised seven non-executive directors and two executive directors. It meets at least bi-monthly, additional meetings being held as required. A one day strategy conference is also held each year.

The directors holding office during the year were:

Non-Executive Directors

David W Baker - Chairman
John G Hatcher - Vice-Chairman
Melanie K Duke
Nicholas J Johnston
Kenneth S Piggott
Kerry M Spooner
David P Woodward

Executive Directors

Mark T Robinson - Chief Executive
Michael W Parrott - Deputy Chief Executive and Finance Director

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

Corporate Governance

Your Board has agreed to abide by the UK Corporate Governance Code 2010, which took effect from January 2011, in so far as this code applies to a mutual organisation, save that it has not appointed a Senior Independent Director. This is because it believes that there are already sufficient channels through which members can contact the Society and resolve problems. Throughout 2010 the Board followed the previous version of this Code, the Combined Code on Corporate Governance 2008, with the same single exception.

Management, Staff and Professional Contacts

Your Board would like to thank the Executive team, the management and staff of the Society for their support during the year. Thanks must also go to the Society's business partners and professional contacts for their continued support, which is very much appreciated.

Outlook

The impact of rising inflation and the effects of the Comprehensive Spending Review are starting to make themselves felt and 2011 is unlikely to see a significant improvement in our core markets. Dynamic competition for savings balances can be anticipated as banks rebuild their balance sheets.

The introduction of further "post crunch" regulation is certain and we expect some impacts from the Mortgage Market Review and the commencement of the transition of the Financial Services Authority into a new regulatory structure.

In facing these issues the Society is guided by its members and the lessons of its 141 year history. We will continue to focus on members' needs, seeking fresh opportunities whilst avoiding value-destroying markets. We are clear that the essence of providing fair, relevant products delivered with approachable professionalism should remain our "stock in trade".

As a result we look forward to a successful 2011.

Summary Statement

	2010	2009
Results for the year	£000	£000
Net interest receivable	5,158	5,522
Other income and charges	452	556
Administrative expenses *	(4,295)	(4,380)
Financial Services Compensation Scheme Levy	(115)	(70)
Provisions	(141)	(238)
Profit for the year before taxation	1,059	1,390
Taxation	(309)	(384)
Profit for the year	750	1,006

Financial position at end of year			
Assets	Liquid assets	99,335	93,233
	Mortgages	330,546	321,529
	Fixed and other assets	2,785	2,566
		432,666	417,328
Liabilities	Shares	344,844	328,448
	Borrowings	58,252	59,830
	Other liabilities **	2,217	2,144
	Reserves	27,353	26,906
		432,666	417,328

Summary of key financial ratios		
Gross capital as a percentage of shares and borrowings	6.79%	6.93%
Liquid assets as a percentage of shares and borrowings	24.64%	24.01%
Profit for the year as a percentage of mean total assets	0.18%	0.24%
Management expenses for the year as a percentage of mean total assets*	1.01%	1.04%

* Administrative expenses for 2009 includes the effect of a one-off past service cost adjustment of £0.20m which arose in respect of the defined benefit pension scheme. Excluding this adjustment, administrative expenses in 2009 would have been £4.18m and management expenses as a percentage of mean total assets would have been 0.99%.

** Other liabilities include £0.30m for 2009 and £0.29m for 2010, representing the Society's liability to the Financial Services Compensation Scheme.

'Gross capital as a percentage of shares and borrowings' measures the proportion that the Society's capital bears to the Society's liabilities to holders of shares and depositors (investors). The Society's gross capital consists of profits accumulated over many years in the form of reserves. It provides a financial cushion against difficulties that might arise in the Society's business and therefore protects investors.

'Liquid assets as a percentage of shares and borrowings' measures the proportion that the Society's assets held in the form of cash and short term deposits bears to the Society's liabilities to investors. Liquid assets are generally readily realisable, enabling the Society to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

'Profit for the year as a percentage of mean total assets' 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 needs to make a reasonable level of profit each year in order to maintain its capital at a suitable level to protect investors.

'Management expenses as a percentage of mean total assets' measures the proportion that the Society's administrative expenses bears to the average of the Society's total assets during the year. Administrative expenses represent the day-to-day running costs of the Society including expenditure on employing staff, office costs, marketing and depreciation.

Independent Auditors' Statement on the Summary Financial Statement

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

We have examined the summary financial statement which comprises the summary income and expenditure account and summary balance sheet set out on page 6.

Respective Responsibilities of Directors and Auditors

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

Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full annual accounts, the annual business statement and the directors' report, and its compliance with the relevant requirements of section 76 of the Building Societies Act 1986 and the regulations made thereunder.

We also read the other information published with 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.

This statement, including the opinion, has been prepared for and only for the Society's members and depositors as a body in accordance with section 76 of the Building Societies Act 1986 and

for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Society's full annual accounts describes the basis of our audit opinion on those accounts and the directors' report.

Opinion

In our opinion the summary financial statement is consistent with the full annual accounts, the annual business statement and the directors' report of Market Harborough Building Society for the year ended 31 December 2010 and complies with the applicable requirements of section 76 of the Building Societies Act 1986, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

24 February 2011

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