Hanley ECONOMIC Building Society

Business Review & Summary Financial Statement

for the year ended 31 August 2018

Registered Office: Granville House Festival Park Hanley Stoke-on-Trent ST1 5TB
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Visit our website at www.thehanley.co.uk

Chief Executive's Business Review

Another year of records broken

2018 has followed on from the previous year with another record performance. Lending has exceeded £90m for the first time in our history and we have helped more first time buyers than ever. And, for the second year running, post-tax profit has exceeded the £1m mark.

Savings have continued to grow and I am very pleased that we have been able to raise interest rates for our Members twice this year for every variable rate saver. After nearly ten years of the lowest rates in history it has been a tough time for savers. Unlike other firms, we took the decision to raise savers rates on the same day as the Bank of England announcements.

	2018	2017	2016	Movement %
Operating profit	1,475	1,477	1,058	(0.14%)
Profit after tax	1,201	1,135	696	5.81%
Liquidity	94,316	96,469	82,271	(2.23%)
Mortgage balances	327,442	302,760	291,211	8.15%
Retail savings	343,478	333,591	311,013	2.96%
Reserves	27,341	26,158	25,032	4.52%

Strategic review

In 2017 we completed a comprehensive review of our business. In 2018 the Leadership Team began delivering the five key aspects of that plan:

1. Balanced sustainable growth – record asset growth accompanied by appropriate levels of capital and liquidity to keep the Society secure and safe;
2. Future proofing the model – we have begun to upgrade our systems and digital offering to customers – there is much more to do but we have made good progress;
3. Cost efficiency – The Hanley is now one of the most cost efficient societies of its size and we have continued to improve our cost efficiency in 2018;
4. Being a great place to work – we have won 2018 Employer of the Year in the Staffordshire Chamber of Commerce Annual Awards and been adjudged as an 'Outstanding Employer' in the Sunday Times Best Companies survey; and
5. Supporting our Community – we have continued to be one of the largest corporate supporters of the Douglas Macmillan Hospice and we are now also supporting key charities across the city who focus upon child poverty, homelessness, youth employment and social exclusion.

New branding

In 2018 we launched our new shield brand. The existing brand was over 20 years old and looking tired. I wanted to move to something more contemporary and an image that more represented what we do as a business. Working with Strategi Solutions – a local business based in Newcastle – we created the new shield logo that represents the strength and protection we offer our customers. There is also a note to our history with the 1854 notation in the shield. The branding has been a big success with staff and customers and relatively inexpensive to achieve. In parallel, we have issued new uniforms to staff and updated the fascia of all of our branches and the Festival Park office.

Savings

After nearly ten years of the Bank of England base rate at 0.5% or less, we saw two small rises in rates in the last twelve months. The Leadership Team had planned for these rises and we were able to execute those plans in reaction to the announcements on the same afternoon the Monetary Policy Committee had announced the rises. Unlike other financial organisations, who waited to see how the market reacted, we decided that passing the rise onto Members immediately was the right thing to do. Retail savings balances at the Society have continued to grow at 2.96%.

Financial advice – investments and protection

As part of our strategic review, we re-launched Hanley Financial Services in September 2017 with a new, improved customer advice and ongoing service. The team have implemented this with great success and been able to help customers with a combined total of over £10m of investments. The service has proven so popular that we are investing in training new advisors and the Branch Manager of Hanley branch, has completed his first step towards becoming a fully qualified Financial Advisor.

This is an important offer for our Members who may require more specialist advice or who are looking for a different kind of deposit than our standard savings accounts and bonds.

Mortgages

Prices in the mortgage market have remained largely stable, despite the Bank of England base rate rises. This has made margin management more challenging. Despite this, the Society received more than £150m of mortgage applications and advanced very nearly £92m – an all-time record. We helped nearly 1000 people re-mortgage, buy their new home or achieve a further advance on their mortgage. We have also helped more first time buyers than ever. The Hanley has never been able to help so many people realise their home-owning ambitions.

Community

Since joining The Hanley and working in Stoke-on-Trent it has become clear to me that Stoke 'is on the up'. At the same time, it's also clear that – like many cities in the UK – there remain pockets of acute problems across the city.

We will continue to support the 'Dougie Mac' as we have done for many years. In addition, the Board and I feel we are able to support other charities and organisations that target these specific challenges in the area. This year we announced partnerships with Alice Charity, Arch and YMCA. In this way we aim to help improve child poverty, youth unemployment, homelessness and social exclusion.

Apprentices

The Society has had notable success in the past with recruiting talented apprentices. Building on that success we have recruited a new group for 2019 who are joining us and working in Finance, Operations, IT and Sales. As some of the most talented people in the team are ex-apprentices this local recruitment and development supports the future of the Society and our goal to be the best local employer in Staffordshire.

Outlook

I am confident that the Hanley Economic Building Society is now even stronger than it has been for many years. However, this does not isolate us from the pressures that every organisation faces in the Financial Services market. The Bank of England have lent £126bn to Banks and Building Societies that must be repaid over the next four years. Competition for savings will increase as firms fight for savers cash to repay the Bank. This could be good news for savers and their interest rates but difficult for small, regional societies to compete. The Society has drawn down a modest £25m from the Bank's Term Funding Scheme and we have already planned repayment into our budgets. However, increased competition for savings and flat pricing for mortgages will make margin and profit management challenging.

In addition, as a UK Building Society entirely exposed to the UK economy we have to be aware of any impact that Brexit may have. At the point of writing, it remains unclear how the transition will work and what impact, if any, leaving the EU will have on the UK economy and housing market.

After the last two years' growth and financial results, I believe the Hanley is in a robust position to weather these threats. The success of 2017 and 2018 has only been possible with the support and hard work of all my colleagues at The Hanley as well as a challenging and supportive Board. I am grateful to all of them.

Mark Selby
Chief Executive
22 October 2018

> "I am confident the Hanley Economic Building Society is now even stronger than it has been for many years."

Your Board

Nick Jordan

Nick Jordan was appointed to the Board as Chairman in May 2018. Nick is an Oxford graduate and has over 35 years' experience in the financial services sector in a wide variety of leadership positions both executive and non-executive, including as a Chief Risk Officer and Chief Credit Officer at a major domestic UK bank. He holds a small number of other non-executive board directorships and is Deputy Chair of Governors at Latymer Upper School. Nick is married and has two children now in their twenties

Andrew Macdonald

Andrew Macdonald was appointed as a Non-Executive Director in September 2014. Andrew is Chair of the Audit & Compliance Committee and a member of the Assets & Liabilities Committee. He began his career in branch banking with Barclays in the late 1970's and became a specialist in Treasury and Asset & Liability Risk Management. He later worked for Halifax, Skipton and Nationwide Building Societies, again in Treasury and Asset & Liability management roles, and was as a consequence made a Fellow of the Association of Corporate Treasurers in recognition of his work in this important area.

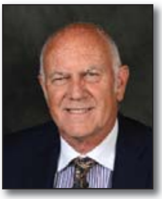
Veronica Oak

Veronica Oak joined the Board as a Non-Executive Director in March 2015 and Chairs the Board Risk Committee. Veronica's career has been within the financial services industry having previously been Marketing Director for a life company and a reinsurer, and spent over 20 years as an independent marketing and business development consultant. She has been a Non-Executive Director for another mutual, Family Investments and is currently on the Boards of Sanlam Investment Holdings UK, Chesnara plc and its subsidiary, Countrywide Assured. She is also on the Board of a trade body which serves the interests of life assurance and investment firms.

Mark Selby
Mark Selby joined the Hanley in November 2016 and has previously been Chief Operating Officer (COO) for Virgin Money and COO at Abbey National/Santander and an insurance broker.

Before joining Abbey National he completed a Master's degree at Cranfield School of Management and also has a first degree in Politics and Law. Mark is married and has two teenage sons.

Simon Woodings
Simon Woodings joined the Board as a Non-Executive Director in April 2016 and is chair of the Remuneration Committee and a member of the Assets & Liabilities Committee. Simon spent his career in a Stoke-on-Trent based law firm as a corporate/commercial lawyer becoming senior partner until joining his family's fire protection engineering business in October 2015. Simon lives in Staffordshire and is married with two children.



Bob Young
Bob Young was co-opted to the Board in May 2017 and his appointment was confirmed by Members at the AGM in December 2017. Bob is also a member of both the Assets and Liabilities Committee and the Audit and Compliance Committee.

Bob spent his career as an Insolvency and Turnaround Practitioner, for the last 20 years in Stoke-on-Trent, initially as the local Director of PwC and later as Senior Partner of the Stoke office of Begbies Traynor. Bob then became a founder member of Currie Young Limited from which he has now retired. Bob lives in Caverswall and is married with four children.

Summary Directors' Report and Strategic Business Review for the year ended 31 August 2018

Review of the year and key performance indicators

The Directors are satisfied with the Group's performance, summarised as one of sustained growth in both savings and mortgages, together with a positive contribution to the Group's capital base.

Key Performance Indicators	2018	2017	2016
Total Assets (£'000)	426,276	403,591	378,167
Asset Growth (%)	5.62%	6.72%	2.67%
New Mortgage Lending (£'000)	91,768	69,677	65,458
Mortgage Growth (%)	8.15%	3.97%	4.17%
Retail Shares Balance net increase / (decrease) (£m)	9,887	22,578	22,302
Total Retail Shares and Deposit Growth (%)	2.40%	5.85%	6.40%
Gross Capital (% of shares and deposit liabilities)	6.87%	6.95%	7.12%
Free Capital (% of shares and deposit liabilities)	6.23%	6.26%	6.35%
Liquid Assets (% of shares and deposit liabilities)	23.69%	25.63%	23.39%
Post-tax profit (£'000)	1,201	1,135	696
Management Expenses (% of mean total assets)	1.08%	1.10%	1.10%

Total assets

The total assets of the Group at the end of the financial year amounted to £426.3m (2017: £403.6m), an increase of £22.7m or 5.62% on the previous year. This has been achieved as a result of inflows of retail savings, and drawdown from the Bank of England Term Funding Scheme (TFS), used to fund mortgage lending during the year. The TFS allows for the drawdown of cash against securitised mortgages for a period of four years at Bank Base Rate.

Mortgage lending and overall mortgage balances

During 2018 we continued to grow our mortgage lending with £91.8m of advances. Overall total mortgage balances increased by £24.7m, an 8.15% increase on 2017. Redemptions during the year were £54.3m (2017: £45.1m).

Retail shares

Retail shares at 31 August 2018 were £343.5m (2017: £333.6m), an increase of £9.9m (2.96%) on the previous year. This strengthening of our savings base particularly in a period of low interest rates, demonstrates our competitive pricing in the market both for new and existing Members.

Liquid assets

By maintaining sufficient liquidity the Society can ensure that it meets its liabilities as they fall due. The liquid assets comprising cash, bank balances and authorised investments amounted to £94.3m (2017: £96.5m), representing 23.69% (2017: 25.63%) of total shares and deposit liabilities.

Total liquidity includes £55.0m deposited with the Bank of England's Reserve Account and £3.0m in respect of Treasury Bills. All of these investments are highly liquid and qualify towards the Society's liquidity buffer which was significantly in excess of its minimum regulatory requirement.

Net profit and reserves

An appropriate level of profit is required to re-invest in the business and to maintain the capital required to satisfy regulatory requirements and to protect investors. Profit after tax and total comprehensive income for the year amounted to £1.2m (2017: £1.1m) and represents a ratio of 0.29% of mean total assets. The profit after taxation has been added to the General Reserve which stands at £27.3m (2017: £26.1m).

Management expenses ratio

The ratio expresses administrative expenses and depreciation as a percentage of average total assets. The Society continues to review management expenses and endeavours to contain expenditure. Despite the increasing cost of regulation, together with our investment in IT, staff and risk infrastructures there has been a reduction in the overall ratio of 1.08% (2017: 1.10%).

Gross and free capital

Gross capital is defined as general reserves as shown in the Group's balance sheet, and free capital as the aggregate of gross capital and general loss provisions less tangible fixed assets. The Directors ensure that a satisfactory level of capital is maintained to protect the Society against adverse market movements or changes in economic conditions.

At the year end the ratio of gross capital as a percentage of total share and deposit liabilities was 6.87% (2017: 6.95%) and free capital was 6.23% (2017: 6.26%). The Core Tier 1 ratio (unaudited) stood at 17.48% (2017: 17.78%) and the Leverage ratio (unaudited) stood at 6.16% (2017: 6.20%). Tier 1 Capital was £26.5m (2017: £25.1m) and Tier 2 Capital £0.2m (2017: £0.2m), providing total Capital resources of £26.7m (2017: £25.3m.).

The Board complies with the Basel IV Capital Requirements Directive (CRD) which requires the Society to assess the adequacy of its capital strength through an Internal Capital Adequacy Assessment Process (ICAAP). Through the ICAAP the Board is satisfied that the Society holds a level of capital more than sufficient to satisfy the CRD's Pillar 1 minimum capital requirements, and additional identified Pillar 2 capital to mitigate the principal risks to which the Society is exposed. The Board approves the ICAAP on an annual basis, and it is reviewed by the Prudential Regulation Authority (PRA) in setting the Society's capital requirements as Total Capital Requirement (TCR). Regulatory Capital held by the Society at the Statement of Financial Position date was £15.71m, well in excess of that required by the regulator.

Further details of the Society's approach to risk management can be found in the Society's Pillar 3 disclosures required by the CRD on the Society's website, www.thehanley.co.uk.

Mortgage arrears and impaired cases

(a) At 31 August 2018 there were 2 cases (2017: none) where the borrowers were 12 months or more in arrears. In certain circumstances the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty. In each case an individual assessment is made to ensure forbearance is in the best interests of both the borrower and the Society. It is expected that the borrowers will resume normal payments once they are able. As at 31 August 2018, there were 10 cases (2017: 4) under forbearance measures with total balances of £1.01m (2017: £0.18m) and arrears totalling £1k (2017: £7k). The Board assesses the impact of forbearance measures regularly and considers that if there is a possibility of loss, a provision is made in accordance with the Society's policies.

(b) Included in loans secured on residential property are a total of 11 cases (2017: 11), with a balance outstanding of £13.9m (2017: £13.2m), all of which are either in possession or under management by a Law of Property Act Receiver. Although these cases have experienced previous financial difficulty, each has now been let thereby protecting the fabric of the buildings over which the Society has a charge, as well as generating an income stream. As at 31 August 2018 total specific impairment provisions of £4.4m (2017: £3.8m) are held against these exposures.

c) In respect of the portfolio of residential development loans at 31 August 2018, the Society has reduced its exposure to 1 property (2017: 3), with a capital balance outstanding of £0.8m (2017: £4.9m). As at 31 August 2018 a total specific impairment provision of £0.7m is held against this exposure (2017: £4.1m). In relation to the sale of the two properties during the year, the Society suffered a minimal £3k net loss after the ultilisation of impairment provisions.

Executives and staff

The Society maintains an open recruitment and staff development policy, affording equal opportunities regardless of age, gender, race, religion or disability. Staff communication and training continue to remain priorities for the Society.

The Board wish to record their thanks to the staff for the vital contribution they continue to make. Adapting to new methods of operating, particularly using new systems and software is not always easy, but doing so is essential in the rapidly changing financial services marketplace in which the Society competes. The support, co-operation and flexibility of the staff is essential to the ongoing success of The Hanley.

A. S. Macdonald, Vice Chairman
22 October 2018

Summary Directors' Remuneration Report
for the year ended 31 August 2018

Directors' Remuneration

The purpose of this report is to inform Members of The Hanley about our policy on the remuneration of Executive and Non-Executive Directors. This Policy is reviewed annually by the Board.

The Remuneration Committee

The Committee is responsible for the remuneration policy for all Directors of the Society and it makes recommendations to the Board regarding remuneration and contractual arrangements. The Committee meets at least twice a year. In making its decisions it considers comparative remuneration packages and reviews supporting evidence, including taking external professional advice if appropriate.

Policy for Executive Directors

The Board's policy is to set remuneration levels which will attract and retain high calibre Executive Directors, and to encourage excellent performance through rewards directly linked to the achievement of The Hanley's strategic objectives. The main components of the Executive Directors' remuneration are:

a) ***Basic Salary*** – which takes into account the role and position of individuals including professional experience, responsibilities, job complexity and market conditions. Basic salary is reviewed annually.

b) ***Pensions*** – which involves The Hanley contributing to the personal pension arrangements of its Executive Directors. The Society does not have a Defined Benefit/Final Salary pension scheme.

c) ***Incentive Schemes*** – the Executive Directors are entitled to a non-pensionable medium term cash bonus, which takes into account the performance of the Society over a range of areas, including risk management. The bonus is reflective of the mutual status of the Society and is payable on the achievement of the Society's key performance indicators, not purely its financial performance. Performance is based on a one year period, with payments being deferred over three years. Payment is not guaranteed and is subject to claw back if performance deteriorates, with the maximum bonus payable being 20% of basic salary. Given the successful performance during 2018, the Executive Director has earned 5% of basic salary as reward under this scheme.

d) ***Other Benefits*** – include the provision of a car allowance to each Executive Director, private medical insurance, income protection and a concessionary mortgage rate on loans up to £40,000. Such benefits are reviewed annually by the Remuneration Committee.

Executive Directors have contractual notice periods of up to six months and so any termination payment would not exceed six months' salary and accrued benefits. The performances of both the Chief Executive and the Finance Director are reviewed on an annual basis by the Remuneration Committee.

Policy for Non-Executive Directors

The remuneration of all Non-Executive Directors is reviewed on an annual basis using external benchmarking data for other comparable Building Societies, and by a performance review process undertaken by the Society's Board Chairman.

The Chairman's performance review is conducted by the Senior Independent Director and his remuneration is reviewed and set by the Remuneration Committee.

There are no bonus schemes for Non-Executive Directors and they do not qualify for pension entitlement or other benefits (but out of pocket travel expenses are met).

Non-Executive Directors do not have employment contracts but serve under letters of appointment following election by the Society's Membership.

In determining remuneration the Committee considers the guidance provided by the Corporate Governance Code and applies the Financial Conduct Authority (FCA) Remuneration Code.

The Remuneration Committee agreed the Directors' remuneration as follows:

	2018	*2017*
Non-Executive Directors:	£000	*£000*
P. R. Dearing (Chairman to 31.3.2018)	23	*51**
N. M. Jordan (Chairman from 1.5.2018)	13	–
F. B. Earley (to 31.12.2017)	8	*24*
A. S. Macdonald	32	*28*
V. Oak	25	*24*
S. Woodings	25	*23*
R. M. Young (from 5.5.2017)	25	*8*
	151	*158*

*Includes standard Chair's fee of £38k for the financial year, plus an additional one-off sum of £13k paid in respect of supporting the Leadership Team and providing oversight during the period 1 September 2016 – 31 December 2016 following the departure of the former Chief Executive, Mr D. Webster and the arrival of the current Chief Executive, Mr M. E. Selby.

Executive Directors:	Salary	Benefits	Sub-total	Pension Contribution	Total
2018	£000	£000	£000	£000	£000
M. E. Selby	182	29	211	23	234
S. Jones (to 28.5.2018)	83	12	95	10	105
	265	41	306	33	339
2017	£000	£000	£000	£000	£000
M. E. Selby (from 14.11.2016)	136	24	160	12	172
S. Jones	108	12	120	13	133
	244	36	280	25	305

S. Woodings
Chair of the Remuneration Committee
22 October 2018

Summary Financial Statement
for the year ended 31 August 2018

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 request at every office of The Hanley Economic Building Society from 7 November 2018, or can be downloaded from the Society's website www.thehanley.co.uk.

Approved by the Board of Directors on 22 October 2018 and signed on its behalf by:

A. S. Macdonald, *Vice Chairman* M. E. Selby, *Chief Executive and Group Secretary* R. M. Young, *Director*

Summary Directors' Report

A summary review of the events and business of the Group during the year and commentary on the financial position at the end of the year can be found on pages 6 to 7.

Group Results for the year

	2018 £000	*2017 £000*
Net Interest receivable	5,481	*5,699*
Other income and charges	216	*172*
Administrative expenses	(4,472)	*(4,316)*
Provision for bad debt	136	–
Profit before FSCS levy	1,361	*1,555*
Provision for liabilities – FSCS levy	114	*(78)*
Profit for the year before taxation	1,475	*1,477*
Taxation	(274)	*(342)*
Profit for the year	1,201	*1,135*

Financial Position at end of year

	2018	*2017*
Assets		
Liquid assets	94,316	*96,469*
Mortgages	327,442	*302,760*
Derivative financial instruments	204	*7*
Fixed and other assets	4,314	*4,355*
Total Assets	426,276	*403,591*
Liabilities		
Shares	343,478	*333,591*
Borrowings	54,673	*42,862*
Derivative financial instruments	31	*214*
Other liabilities	753	*766*
Reserves	27,341	*26,158*
Total Liabilities	426,276	*403,591*

Summary of Key Financial Ratios

	2018	*2017*
Gross capital as a percentage of shares and borrowings	6.87%	*6.95%*
Liquid assets as a percentage of shares and borrowings	23.69%	*25.63%*
Profit for the year as a percentage of mean total assets	0.29%	*0.29%*
Management expenses as a percentage of mean total assets	1.08%	*1.10%*

Key Financial Ratios

The Key Financial Ratios have been prepared from the Group's accounts and in particular:

Gross capital as a percentage of shares and borrowings

The gross capital ratio measures the proportion that the Group's capital bears to the Group's liabilities to Members and other investors. The Group's capital consists of profits accumulated over many years in the form of reserves. Capital provides a financial buffer against any losses which might arise in the Group's business and therefore protects investors.

Liquid assets as a percentage of shares and borrowings
The liquid assets ratio measures how the proportion of investors' funds (held in the form of cash, short term deposits and marketable securities) bears to the Group's liabilities to Members and other investors. Liquid assets are readily realisable, enabling the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans and to fund its general business activities.

Profit for the year as a percentage of mean total assets
The profit/mean total assets ratio measures the proportion which the profit after taxation for the year bears to the average of total assets at the start and end of the year. The Group needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors.

Management expenses as a percentage of mean total assets
The management expenses/mean total assets ratio measures the proportion which the Group's administrative expenses (including depreciation and amortisation) bears to the average of the Group's total assets at the start and end of the year.

Independent auditor's statement to the Members and depositors of Hanley Economic Building Society

Opinion
We have examined the summary financial statement of Hanley Economic Building Society ('the Society') for the year ended 31 August 2018 set out on pages 10 to 11.

On the basis of the work performed, as described below, in our opinion the summary financial statement is consistent with the full financial statements, the Annual Business Statement and Directors' Report of the Society for the year ended 31 August 2018 and conforms with the applicable 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 financial statements, Annual Business Statement and Directors' Report of the Society for the year ended 31 August 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 financial statements, 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 financial statements, the Annual Business Statement and Directors' Report of the Society for the year ended 31 August 2018.

We also read the other information contained in the Business Review and 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 financial statements describes the basis of our opinions on those financial statements, the Annual Business Statement and Directors' Report.

Directors' responsibilities
The directors are responsible for preparing 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 statement with the full financial statements, 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.

Matthew Rowell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor, Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham B4 6GH

22 October 2018

Interest Rates as at 31 August 2018

Instant Access/DMH Saver	Gross (Contractual or gross rate) %	Annual Equivalent Rate %	Previous Rate %
Balance £100,000 and above	0.40	0.40	0.30
Balance £50,000 – £99,999.99	0.30	0.30	0.20
Balance £25,000 – £49,999.99	0.25	0.25	0.15
Balance £10,000 – £24,999.99	0.20	0.20	0.10
Balance £100 – £9,999.99	0.15	0.15	0.05
Balance less than £100	0.11	0.11	0.01
Notice Accounts			
Notice 30			
Annual and Monthly Interest			
Balance £200,000 and above	0.70	0.70	0.60
Balance £100,000 – £199,999.99	0.60	0.60	0.50
Balance £50,000 – £99,999.99	0.45	0.45	0.35
Balance £25,000 – £49,999.99	0.30	0.30	0.20
Balance £10,000 – £24,999.99	0.25	0.25	0.15
Balance less than £10,000	0.20	0.20	0.10
Notice 90			
Annual and Monthly Interest			
Balance £100,000 and above	1.05	1.05	0.95
Balance £50,000 – £99,999.99	0.75	0.75	0.65
Balance £25,000 – £49,999.99	0.65	0.65	0.55
Balance less than £25,000	0.45	0.45	0.35
Tax Free Savings			
Cash ISA – Instant access			
Balance £3,000 and above	0.80	0.80	0.65
Balance less than £3,000	0.20	0.20	0.05
Cash ISA – Regular Saver	1.30	1.30	1.15

Children's Savings	Gross (Contractual or gross rate) %	Annual Equivalent Rate %	Previous Rate %
Young Saver	1.05	1.05	0.95
Junior ISA	2.10	2.10	1.95
Regular Savings			
Branch Regular Saver	1.10	1.10	1.00
Corporate Savings			
Corporate Saver			
Balance £100,000 and above	0.45	0.45	0.35
Balance £50,000 – £99,999.99	0.25	0.25	0.15
Balance less than £50,000	0.20	0.20	0.10
Tracker Savings			
Branch Saver	0.50	0.50	0.25
Homebuyer Savings			
Home Deposit Saver	2.95	2.95	2.85
Closed Issues			
Cash ISA – 30 day notice	0.85	0.85	0.70
Cash ISA – 60 day notice	1.05	1.05	0.90
Corporate Tracker – Issue 2	1.67*	1.67	1.71
Child Trust Fund	2.10	2.10	1.95
Michelin Regular Saver	1.55	1.55	1.45
Monthly Income Saver	1.15	1.15	1.05
Postal 180 Day Notice	1.15	1.15	1.05
Postal 180 Day Notice – Issue 2	1.15	1.15	1.05
Regular Saver	1.15	1.15	1.05

*Guaranteed to pay 1.00% above 3 Month LIBOR rate (1 July 2018)

Any future changes to the terms and conditions including interest rates of our savings accounts will be published on our website at thehanley.co.uk, be available in our branches and via our telephone helpline.

Important information about compensation arrangements

Hanley Economic Building Society is covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to savers if a building society or bank is unable to meet its financial obligations. Most savers – including most individuals and small businesses – are covered by the scheme. Your eligible deposits held at the same bank, building society or credit union are added up in order to determine the coverage level. If, for instance, you hold eligible deposits in a savings account with £70,000 and a current account with £20,000, you will only be repaid £85,000.

For further information about the scheme (including the amounts covered and eligibility to claim) please ask at your local branch or call us on 01782 255000, or refer to the FSCS website www.FSCS.org.uk or call 0800 678 1100.

General Data Protection Regulation

We have updated our privacy notice. This can be located on our website www.thehanley.co.uk or you can request a copy by contacting any of our branches.

Payment Services Regulation

Addendum to point 6.1 of our Savings Terms & Conditions

Under the new Payment Services Regulation 2017, if you receive payments into your passbook account from another account outside the Hanley Economic and do not update your passbook within a 30 day period, we are required to provide you with transaction information. This will be provided through our electronic portal "My Accounts" where you are able to view transaction and balance information. You can register for My Accounts by visiting our website and selecting the My Accounts link on the homepage. If you choose not to register for My Accounts, you can request additional information about payments on your account by calling us on 01782 255000.

You can request any of the following information about a payment:

- Details of the payment including a reference enabling you to identify the transaction;
- The transaction amount;
- Any charges incurred for the transaction; and
- The date of the payment.