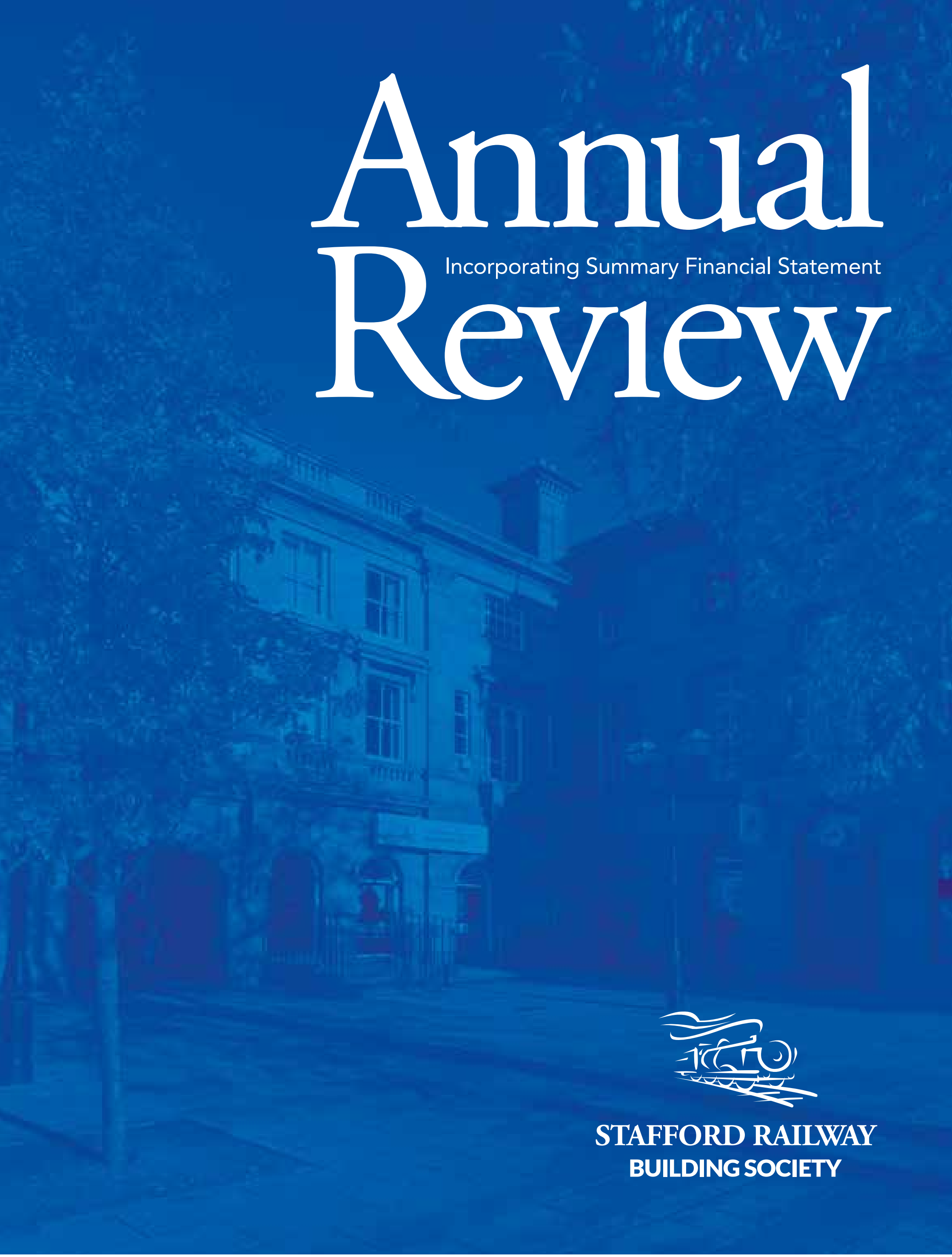


Annual Review

Incorporating Summary Financial Statement

STAFFORD RAILWAY
BUILDING SOCIETY

31 October 2018

Summary Financial Statement For The Year Ended 31 October 2018

Foreword

The Directors have pleasure in presenting the summary financial statement of the Society for the year ended 31 October 2018, being the one hundred and forty first Annual Report. This financial statement is a summary of information in the audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand from the Society from 21 January 2019.

Approved and signed on its behalf by the Board of Directors on 20 December 2018.

James W Dean
(Chairman)

Nicholas H J Sandy
(Vice Chairman)

Michael R Smith
(Chief Executive)

Chief Executive's Business Review

In 2018 we said goodbye to Jeremy Hodgkiss and Susan Whiting and I would like to express my sincere thanks to both. In particular my thanks to Susan, for her years as Chief Executive of the Society and in providing invaluable assistance to me during both the transitional period and as the temporary Finance Director prior to Steven Jones the new Finance Director taking office in June. They both worked tirelessly for the benefit of the Society.

In my first twelve months as Chief Executive of Stafford Railway Building Society, I have undertaken a comprehensive review of both our offering to members and operating infrastructure with the prime aim of ensuring the Society continues to serve the needs of our members not only for today but also for our members of tomorrow, whilst remaining true to our core values of Service Simplicity and Security.

To ensure the future long-term sustainability and building on the strong and financially stable position I have inherited the Society is to embark on a considered transitional period of development and investment, in the following areas;

Membership

I am pleased to advise we have fully re-opened all savings accounts, allowing new and existing members to benefit from our highly competitive range of savings products. A key aim in 2018/2019 will be to see an increase in our membership both savers and borrowers coupled with enhanced member engagement. We shall also be seeking to simplify our account opening processes.

We remain aware of the need to complement our Branch operation with an online savings proposition, I can confirm development on this has already commenced and will remain a priority during 2019.

Mortgage Origination

We have increased our team of specialist underwriters and re-written our Lending Policy to expand our lending criteria, reflecting the changing needs of borrowers. It has enhanced our ability to accommodate company directors, self-employed and older borrowers. We have also increased our lending on Buy to Let and Self-Build projects. We shall remain disciplined in our affordability assessment to ensure we maintain our high credit quality.

We need to acknowledge the source of our mortgage business has changed. Historically we benefited from, compared to the market place, a disproportionately high level of walk in business, over the last three years this has reduced in line with the reduced footfall within the town centre, hence the need to develop our intermediary offering. The addition of a second Business Development Manager has added to our capability to develop the intermediary business, and we continue to nurture relationships as we anticipate further growth in this area. In 2018 we, for the first time, generated a greater volume of business from the Intermediary market than our traditional source.

Products

The Society's core Standard Variable Rate continues to be the lowest Standard Variable Rate of all lenders in the residential UK market*. It has become apparent, whilst this product has and still serves a need for members, the need for a greater range of choice is required if we are to continue to develop and provide the capacity to invest in the Society. With this in mind we are introducing product owners both for savers and borrowers who have the sole responsibility of developing an enhanced product range to serve both existing and new members. The mortgage market remains extremely competitive with headline pricing remaining a prime feature, we shall continue to seek to offer value for money and offer products tailored for the members benefit. The enhanced initiatives, together with the heightened focus on mortgage origination, have contributed to a strong lending performance with gross lending of £34.7m being achieved (2017: £25.6m) resulting in a growth in our mortgage book to £172.2m (2017: £170.6m), this together with an improved pipeline of £17.2m (2017: £8.4m) enables us to enter the new financial year with confidence of continued growth.

** at time of print*

Information Technology

In late 2017 we upgraded our Core IT system to Mutual Vision. This provides the Society with improved capability to further develop both a more efficient, automated member facing process and significant scope for the automation of internal functionality. 2018 has seen a satisfactory consolidation of the system, we shall now commence a comprehensive programme of IT enhancements to stimulate increased operational efficiencies. The first significant enhancement being the introduction of SRBS Mortgage Hub, whereby the full benefits are anticipated in financial year 2018/2019.

Staff and Working Environment

To ensure the long-term sustainability of the Society we have invested in key positions, notably a new and highly experienced Finance Director, Steven Jones, who joined us in June from the Hanley Economic Building Society. We have also increased staff across the Society, including Finance, the Branch, Mortgage Underwriting, Risk and Compliance and IT. This ensures we have the capability and capacity to develop the transitional plans without generating avoidable strain to our service standards. We have also invested in improving the working environment. We have embarked on a four phase premises enhancement project, Phase One having been completed in 2018 with Phases Two and Three anticipated in 2019. These are fully costed and shall ensure the Society retains a great environment for our staff.

We are also seeking to ensure we continue to build on our special model by stimulating a more empowered and member focused culture.

Community

We remain committed to supporting the local community, and have by means of donations, sponsorship and our Affinity programme, gifted over £40k in 2018, which is the highest amount we have ever managed to offer. Additionally, the prime staff charity of Katharine House Hospice continues to receive our support.

We have secured sponsorship of both the Stafford 10k and Stafford Half Marathon for the next three years as we seek to support local events in Stafford Town Centre.

We are delighted to be a party to the Military Covenant supporting the local Ministry of Defence Stafford at Beacon Barracks.

The Future

The macro economic environment continues to be uncertain, particularly with Brexit negotiations becoming more protracted. We remain hopeful there will be a smooth transition to a new relationship between the UK and the EU, although we do not anticipate this being of significant impact to the Society.

Finally

I am pleased with our financial performance, which has ensured the Society achieved a key objective of increases to its already strong capital position, whilst delivering a more value enhancing liquidity base. The results have been balanced by being able to offer improved savings rates to most of our savers following the increases to Bank of England Base Rate and the increase to key staff costs in line with our planned re-investment.

I consider with our financial stability, quality of staff and our cost-efficient model the Society is well positioned to support our strategic investment for sustainable growth. My focus will remain in ensuring income grows faster than costs to enable us to remain a low-cost operator whilst optimising profits for the long-term benefit of our members.

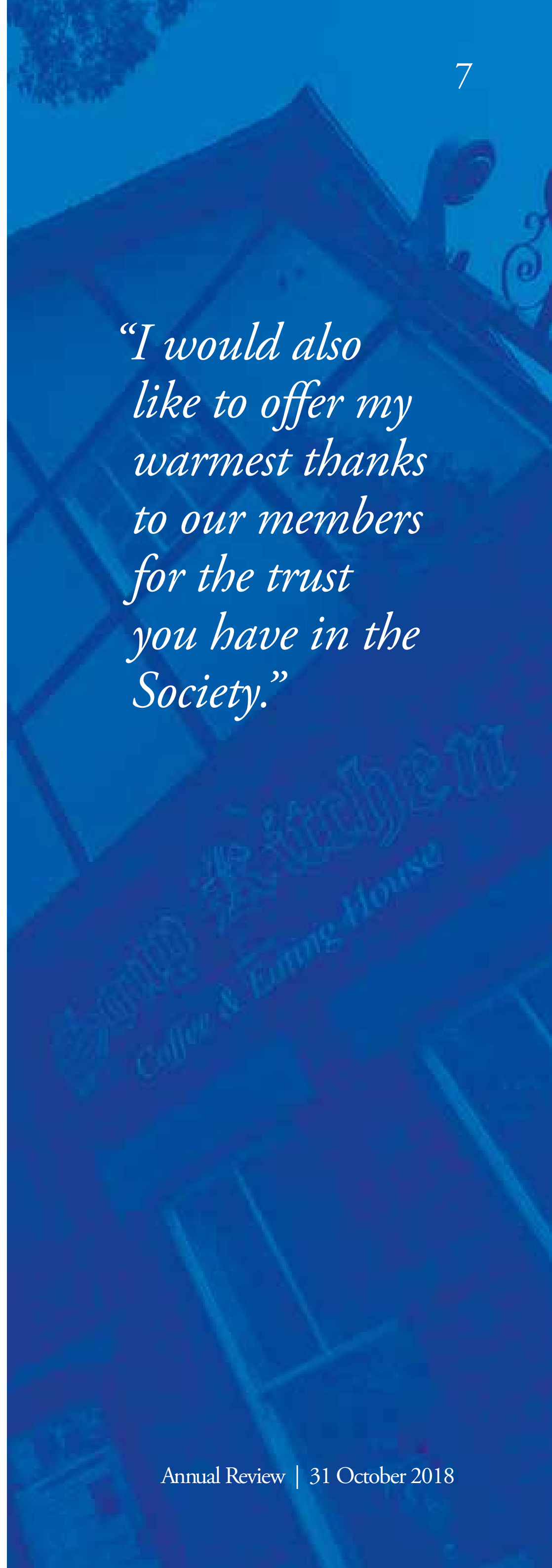
To achieve this in 2019, all our staff need to continue doing as they have done during the past year: working with commitment and attention to detail, each individual taking responsibility for advancing the Society and our business. Many thanks to all of you for doing just this.

I would also like to offer my warmest thanks to our members for the trust you have in the Society. In the coming years, we will continue to do our utmost to live up to – and preferably exceed – your expectations. How? By continuing to do what we have always done, to be people led whilst we embrace both new and existing delivery channels and products.

We embark on our strategic Corporate Plan with confidence.

Michael R Smith
Chief Executive

20 December 2018



"I would also like to offer my warmest thanks to our members for the trust you have in the Society."

Summary Directors' Report

Against a backdrop of political uncertainty, dampening of UK economic growth forecast and increasingly challenging mortgage and savers markets the Society has continued with its planned reduction in overall liquidity, whilst securing positive growth in both mortgage balances and overall capital.

During the year mortgage advances were £34.7m (2017: £25.6m) which contributed to the observed increase in overall mortgage balances to £172.2m (2017: £170.6m). This has been achieved whilst maintaining a stable level of profitability which grew the Society's capital reserves by £0.8m (2017: £0.7m). This level of profitability is required not only to support ongoing growth in mortgage lending, but also to meet the Board's objective to maintain a strong level of capital reserves.

Key Performance Indicators

The main Key Performance Indicators (KPIs) used by the Board to monitor the performance of the Society are detailed below.

	2018	2017
Net interest margin	1.63%	1.48%
Management expenses as a % of mean total assets	1.24%	1.16%
Management expenses excluding non-recurring IT system migration costs as a % of mean total assets	1.24%	0.99%
Cost income ratio %	76.66%	78.84%
Profit after taxation	£0.80m	£0.73m
Profit for the year as a % of mean total assets	0.31%	0.27%
Gross mortgage lending	£34.7m	£25.6m
Growth in mortgage assets	0.90%	(0.88)%
Total arrears > 2.5% of mortgage balance	£8k	£2k
Shares and deposits balance	£232.5m	£242.0m
Gross capital as a % of shares and borrowings	9.03%	8.34%
Free capital as a % of shares and borrowings	8.78%	8.18%
Liquid assets as a % of shares and borrowings	34.83%	37.96%
Total assets	**£254.1m**	**£263.1m**

Net interest margin

The Society's net interest margin reflects the surplus that remains after deducting the Society's funding costs in the form of interest paid to retail and commercial savers from its interest income which comprises mortgage interest and interest earned on the Society's investments. During the year the net interest margin increased to 1.63% (2017: 1.48%) achieved through the positive net lending in mortgages and structured reduction in surplus liquidity.

Administrative expenses

The Society has always recognised the need to prudently manage costs whilst returning value to its membership. During the year the Society has significantly invested in building its infrastructure, in terms of its people, systems and premises. As a result, overall management expenses have increased to £3.2m (2017: £2.6m). Management expenses for the year include a number of costs relating to the change in executive structure, and the embedding of its IT systems, the implementation of which was achieved and reported on in the 2017 Accounts. These, together with several transitional non-recurring costs, including recruitment, consultancy and costs associated with the GDPR implementation account for the reported increase in the management expenses ratio 1.24% (2017: 0.99%).

However, the Society's cost income ratio at 76.66% (2017: 78.84%) has fallen, indicating that total income has increased to a greater extent than the Society cost base.

Liquidity

The Society maintains liquidity in a range of assets which are highly liquid or realisable, with counterparties chosen for the security. It has a liquidity buffer of high quality liquid assets comprising funds in a Bank of England Reserve Account, UK Government Gilts and UK Treasury Bills. Total liquid assets amounted to £81.0m (2017: £91.9m), representing 34.83% (2017: 37.96%) of total shares and deposit liabilities as at 31 October 2018.

The Society monitors and reports its levels of liquidity in relation to two new measures introduced by the Prudential Regulation Authority (PRA) under the Capital Requirements Directive IV (CRD IV).

These measures are the Liquidity Coverage Ratio (LCR), which quantifies short term liquidity and the Net Stable Funding Ratio (NSFR) which measures liquidity in the longer term. The Society's liquidity is more than ample to meet regulatory requirements.

Loans and advances to customers

During the year the Society lent £34.7m (2017: £25.6m) to borrowers. Total advances secured on residential property and other loans increased during the year to £172.2m (2017: £170.6m).

As at 31 October 2018 the Society had no properties in possession (2017: one). The property in possession as at 31 October 2017 was disposed of during the current financial year utilising £5k of the impairment provision allocated to the exposure. During the year to 31 October 2018 the Society took possession of one case that was subsequently disposed of with no loss to the Society.

The Society identifies borrowers whose mortgage accounts have gone into arrears and consults with them about the reason for the arrears and to draw up a plan of action to bring the accounts up to date. Despite the Society's best efforts to help borrowers in such circumstances there are occasions when properties must to be repossessed and sold, sometimes at a loss to the Society.

At 31 October 2018, there were two (2017: £nil) mortgage accounts twelve months or more in arrears, with a balance outstanding of £56k (2017: £nil), and total arrears of £6k (2017: £nil). There were two mortgage accounts over three months in arrears (2017: two).

In certain circumstances the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty, for example, agreeing a temporary transfer to interest only payment in order to reduce the borrower's financial pressures. 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. The Society's Assets and Liabilities Committee (ALCO) assesses the impact of forbearance and monitors whether there is a possibility of loss, in which case provision is made in accordance with the Society's policies. As at 31 October 2018, there were thirteen accounts under forbearance measures and two individual impairments were required.

Shares and other investors

Shares and other investors' balances at 31 October 2018 were £232.5m (2017: £242.0m), a decrease of £9.59m or 3.96% on the previous year. The reduction in overall savings balances was part of a strategy to reduce excess liquidity and preserve benefits for existing members in preference to accepting additional funds, by restricting large deposits.

Total assets

Total assets reduced during the year by £9.0m (2017: £8.3m) and as at 31 October 2018 amounted to £254.1m (2017: £263.1m). The movement in total assets is due primarily to the £10.9m reduction in liquid assets to £81.0m (2017: £91.9m), which represented 34.83% (2017: 37.96%) of shares and deposit liabilities.

Net profit and reserves

An appropriate level of profit is required to ensure the sustainability of the business and to maintain the capital required to satisfy regulatory requirements. Net profit for the year of £0.80m (2017: 0.73m) represented 0.31% (2017: 0.27%) of mean total assets has been added the Society's Reserves.

Total reserves as at 31 October 2018 amounted to £20.99m (2017: £20.19m) and are considered to offer adequate support for the business.

Both the gross capital ratio of 9.03% (2017: 8.34%) and free capital ratio of 8.78% (2017: 8.18%), expressed as a percentage of shares and deposit liabilities have increased during the year. Also included in reserves is the Available-For-Sale Reserve which represents any unrealised gains or losses on Treasury Assets, which are accounted for at market value even though the intention is to hold them to maturity. At 31 October 2018 and 2017 the available-for-sale reserve stood at £ (0.04)m.

Capital (Basel III/CRD IV basis) (Unaudited)

The Directors ensure that a satisfactory level of capital is maintained to protect the Society against adverse market movements or changes in economic conditions.

Capital ratios:	2018 %	2017 %
Core tier 1	24.42	23.60
Gross capital ratio	9.03	8.34
Leverage ratio	8.20	7.64

The Core Tier 1 Ratio expresses core tier 1 capital (reserves excluding mortgage impairments) as a percentage of risk weighted assets. The Leverage Ratio expresses Tier 1 capital as a percentage of total assets plus mortgage impairments plus a proportion of mortgage pipeline commitments

As at 31 October 2018 the Core Tier 1 Ratio stood at 24.42% (2017: 23.60 %) and the Leverage Ratio stood at 8.20% (2017: 7.64%). Tier 1 Capital was £21.0m (2017: £20.2m) and Tier 2 Capital £0.2m (2017: £0.2m), providing total Capital Resources of £21.2m (2017: £20.4m).

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 Pillar 2 capital to mitigate the principal risks to which the Society is exposed. The Board approve the ICAAP on an annual basis, and it is reviewed by the Prudential Regulation Authority (PRA) in setting the Society's Total Capital Requirement (TCR).

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.srbs.co.uk.

Staff

The Directors are extremely appreciative of the contribution made by the staff to the Society's successful performance. The Society obtains feedback from both borrowers and investing members throughout the year in order to monitor our performance and make improvements where appropriate. The feedback we have received indicates a high level of satisfaction with the service provided by our staff.

Directors

The following persons were Directors of the Society during the year:

Non-Executive Directors

James W Dean, FCA
(Chairman)

Gary C D Crowe,
FCIM CAifs ACIB MCIBS

David J Grant,
MBA FCIB FISMM FRSA

Colin C Lloyd,
(Senior Independent Director)

Karen E McCormick, ACIS PIIA

Nicholas H J Sandy, (Vice Chairman)

Executive Directors

Michael R Smith, ACIB
(Chief Executive)

Steven Jones, BSc MBA FCA
(Deputy Chief Executive and Finance Director)
Appointed 6 June 2018

Susan J Whiting, BA ACA CTA
(Finance Director). Resigned 30 June 2018

Jeremy G Hodgkiss, FCA CF MSI
(Executive Director). Resigned 31 March 2018

The Directors who retire by rotation in accordance with rule 26(1) of the Society rules are Gary Crowe and Karen McCormick who offer themselves for re-election at the forthcoming Annual General Meeting. Steven Jones, having been appointed to the Board under rule 25, retires and offers himself for election.

Directors	Executive	Non-Executive
Tenure at year-end		
0-3 years	2	1
Up to 6 years	-	3
Up to 9 years	-	2
Over 9 years	-	-
Gender		
Female	-	1
Male	2	5

On behalf of the Board of Directors

James W Dean
Chairman

20 December 2018

Directors' Remuneration Report

The purpose of this report is to inform members of The Stafford Railway Building Society of our policy on the remuneration of Executive and Non-Executive Directors, and to explain how we comply with the principles in the UK Corporate Governance Code 2016 (the Code) relating to remuneration, as far as they are applicable to a mutual organisation of our size. The Remuneration Policy complies with the relevant elements of the FCA's remuneration code.

Code Principle D1: Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.

As reported in the Annual report and accounts for 31 October 2017 the Society had a formal contract with Deans (Staffordshire) Limited for the provision of Executive Services. Notice, in line with the terms of the contract, was served by Deans (Staffordshire) Limited in September 2016. The contract formally ended on 31 March 2018, although was extended to 30 June 2018 to assist with the transition of the new Executive Team.

Policy for Executive Directors

The Society's policy is to set remuneration levels which will attract and retain Executive Directors with appropriately high levels of skill and expertise and to reward the achievement of stretching objectives in line with the Society's Corporate Plan. It comprises a basic salary, participation in a bonus scheme, pension and various benefits.

Basic Salary

Salaries are reviewed by benchmarking against jobs carrying similar responsibilities, from external salary benchmarking data from within the building society sector and financial services sector. This encompasses consideration as to the responsibility and complexity of the role, market conditions and demands and the Society's very high-quality standards.

Notwithstanding the current very competitive market for high quality financial services directors during the year the Society was delighted to appoint a new Deputy Chief Executive & Finance Director. The role was externally advertised, and the salary was set at a benchmarked level in accordance with the comparison criteria above.

Bonus

A Bonus scheme is determined by the Remuneration Committee and based on a range of financial and non-financial corporate performance objectives including appropriate risk management objectives. Bonus payments are payable annually and set at a maximum of 20% for the Chief Executive and 15% for the Deputy Chief Executive and Finance Director. In respect of the financial years ended 31 October 2018 and 2019, the Deputy Chief Executive and Finance Director has a minimum guaranteed element.

Pensions

The Society contributes to the Executive Directors arrangements. The Chief Executive has opted out of the Pension Scheme.

Benefits

Executive Directors receive other benefits as afforded to staff generally notably Death in Service and Income Protection. The Society does not provide concessionary home loans to Directors.

Contractual Terms

The Executive Directors are employed on open-ended service contracts. Notice period for the Chief Executive is twelve months, to be given by both the Society and the Individual. The notice period for the Deputy Chief Executive and Finance Director is six months to be given by both Society and the individual.

As at 31 October 2018 no notices had been served by any of the parties.

Policy for Non-Executive Directors

The remuneration of all Non-Executive Directors is reviewed annually. There are no bonus schemes for Non-Executive Directors and they do not qualify for pension entitlement or other benefits. Non-Executive Directors do not have service contracts but serve under letters of appointment following election by the Society's membership.

Code Principle D2: There should be a formal and transparent procedure for developing policy on Executive remuneration and for fixing the remuneration packages of individual directors. No Director should be responsible for setting his or her own remuneration.

The Remuneration Committee

This Committee comprises all the Non-Executive Directors under the chairmanship of Mrs Karen McCormick and is responsible for compliance with relevant elements of the Financial Conduct Authority (FCA) Remuneration Code.

The Chief Executive attends by invitation only and takes no part in the discussion relating to his remuneration.

The basis of remuneration is consistent with sound and effective risk management and does not encourage excessive risk taking. The Committee meets at least once per year to consider the remuneration and other terms of service of the Executive Directors.

The over-arching purpose of the Committee is to set remuneration policies to ensure that they are in line with the Society's business strategy, risk appetite and long-term objectives. This includes designing and implementing the reward structure of the Society and ensures that effective risk management is a key component of remuneration and incentive structures.

The remuneration of the Chairman is set at a meeting of the Board where the Chairman is not present. The remuneration of all other Non-Executive Directors is set by the Chief Executive and Chairman.

Total emoluments of the Society's Directors are listed below (excluding national insurance):

	2018 £'000	**2017** £'000
Non-Executive Directors' fees	136.3	124.2
Executive Directors' remuneration	255.8	10.7
	392.1	**134.9**

Non-Executive Directors

	2018 £'000 Fees	**2017** £'000 Fees
James W Dean (Chairman)	29.0	27.0
Nicholas H J Sandy (Vice Chairman)	23.0	19.7
Gary C D Crowe	23.0	19.7
David J Grant	19.0	8.5
David J Gage (retired 15 February 2017)	-	8.3
Colin C Lloyd	23.3	24.0
Karen E McCormick	19.0	17.0
	136.3	**124.2**

Executive Directors

31 October 2018	**Salary** £'000	**Annual Bonus** £'000	**Pension** £'000	**Total** £'000
Michael R Smith	165.0	24.0	0.0	189.0
Steven Jones (appointed 6 June 2018)	52.0	10.0	4.8	66.8
	217.0	**34.0**	**4.8**	**255.8**

31 October 2018	**Salary** £'000	**Annual Bonus** £'000	**Pension** £'000	**Total** £'000
Michael R Smith (appointed 9 Oct 2017)	10.7	0	0	10.7

Remuneration for Executive Services

As previously reported the Society had a contract with Deans (Staffordshire) Limited, for the provision of Executive services. Amounts paid for Executive services for the year ended 31 October 2017 and the 8 months to 30 June 2018 are as follows

	2018 £'000	**2017** £'000
Base fee	162.7	235.2
Bonus	24.6	27.6
VAT	37.5	52.6
	224.8	**315.4**

Ancient High House, Stafford

James W Dean
Chairman

20 December 2018

Summary Financial Statement

A summary review of the events and business of the Society during the year and commentary on the financial position at the end of the year can be found on pages 6 to 10.

Results for the year ended 31 October

	2018 £'000	2017 £'000
Net interest receivable	4,226	3,944
Other income and charges	(28)	(3)
Administrative expenses	(3,218)	(2,634)
New core IT system migration costs	-	(473)
Impairment losses on loans and advances	(6)	84
Other provisions	28	(9)
Profit for the year before taxation	1,002	909
Taxation	(198)	(181)
Profit for the year	**804**	**728**

Financial position at 31 October

	2018 £'000	2017 £'000
Assets		
Liquid assets	80,961	91,870
Mortgages	172,228	170,598
Fixed and other assets	887	670
Total assets	**254,076**	**263,138**
Liabilities		
Shares	218,178	226,891
Borrowings	14,272	15,151
Other liabilities	634	907
Reserves	20,992	20,189
Total liabilities	**254,076**	**263,138**

The Society's financial statements have been prepared in accordance with FRS 102 and IAS 39.

STAFFORD RAILWAY BUILDING SOCIETY

Summary of Key Financial Ratios

	2018	2017
Management expenses as a % of mean total assets	1.24%	1.16%
Management expenses excluding non-recurring IT system migration costs as a % of mean total assets	1.24%	0.99%
Profit for the year as a % of mean total assets	0.31%	0.27%
Gross capital as a % of shares and borrowings	8.85%	8.18%
Liquid assets as a % of shares and borrowings	34.83%	37.96%

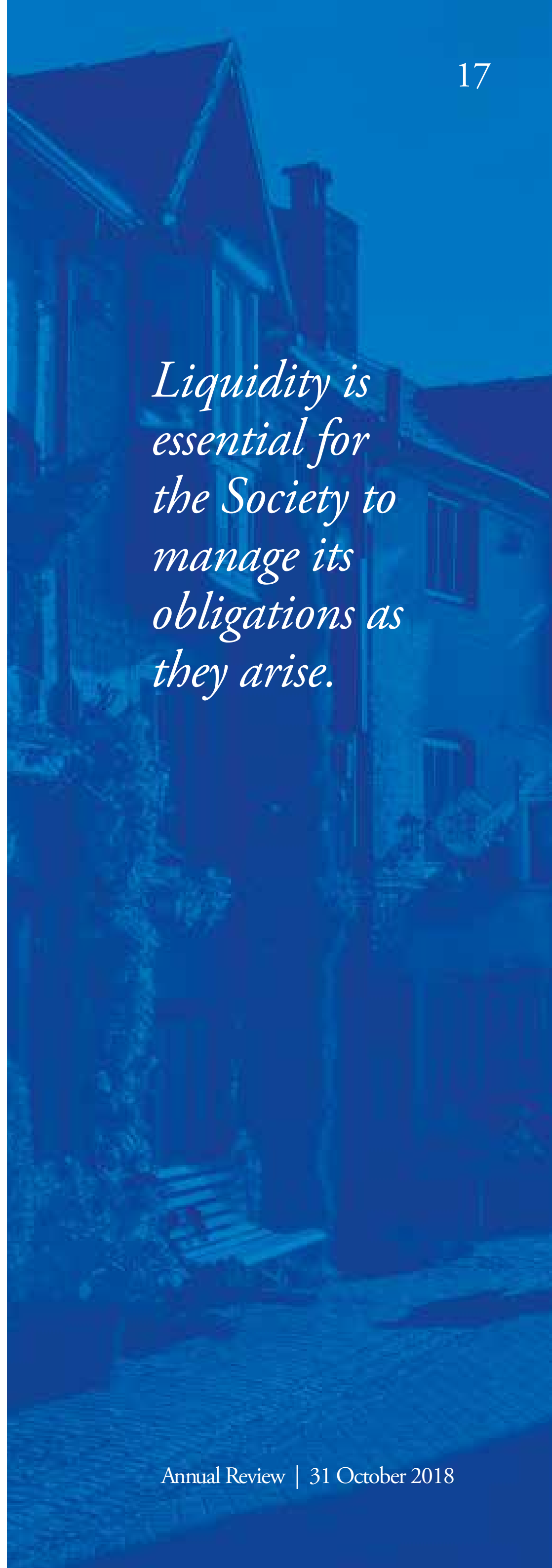
Management expenses as a % of mean total assets: Managing costs is part of an efficient business model and improved profitability.

Profit for the year as a % of mean total assets: This ratio is used both in the management and assessment of the Society's profitability by the Board.

Gross capital as a % of shares and borrowings: Such capital provides a financial cushion against any losses that may arise in the Society's business and therefore protects Members.

Liquid Assets as a % of shares and borrowings: Liquidity is essential for the Society to manage its obligations as they arise.

Mean total assets are the average of the 2018 and 2017 total assets.



Independent auditor's statement

to the members and depositors of The Stafford Railway Building Society

Opinion We have examined the summary financial statement of Stafford Railway Building Society ('the Society') for the year ended 31 October 2018.

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

Basis for opinion

Our examination of the summary financial statement consisted primarily of:

Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full financial statements, Annual Business Statement and Directors' Report of the Society for the year ended 31 October 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 October 2018.

We also read the other information contained in the Annual Review 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 within the Annual Review, 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 within the Annual Review, 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.

St. Mary's Church, Stafford

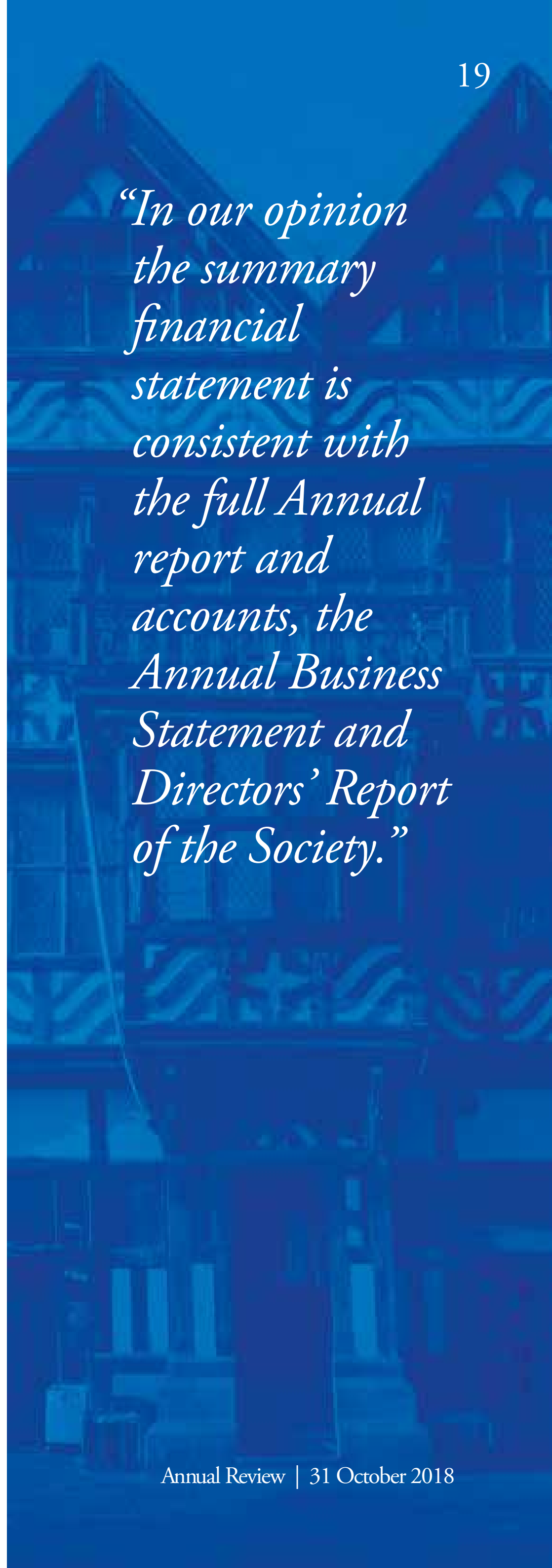
The purpose of our work and to whom we owe our responsibilities

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
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

20 December 2018



"In our opinion the summary financial statement is consistent with the full Annual report and accounts, the Annual Business Statement and Directors' Report of the Society."

STAFFORD RAILWAY
BUILDING SOCIETY

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