

31 October 2016

Annual Review

Incorporating Summary
Financial Statement



STAFFORD RAILWAY
BUILDING SOCIETY



**STAFFORD RAILWAY
BUILDING SOCIETY**

**Member of the Building Societies Association
Established 1877**

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Summary Financial Statement for the year ended 31 October 2016

Foreword

The Directors have pleasure in presenting the summary financial statement of the Society for the year ended 31 October 2016, being the one hundred and thirty ninth 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 30 January 2017.

Approved and signed on its behalf by the Board of Directors on 23 December 2016.

James W Dean,
Chairman

David J Gage MBE,
Vice Chairman

Susan J Whiting,
Chief Executive





Summary Directors' Report

Business objectives and activities

The Society, which was founded in 1877, is an independent building society based in Stafford, financed by and run for the benefit of its members. The mutual corporate form removes the need to consider returns for equity shareholders, making it easier for management to take a longer term view and balance the needs of its members. The Board remains unanimous in its belief that the mutual form is the most appropriate and beneficial when the interests of all existing and potential members are taken into account.

The Society's strategy is driven by its core values, which are:

Simplicity, which is reflected in its operations and structure, its compact range of straightforward products and its transparency;

Service, aspiring to give members a first class personal service, being responsive to their requests and proactively seeking feedback. We recognise the importance of the human element in the way we deal with members, in a world increasingly affected by systemisation and regulation;

Security, reflected in the prudent policies, strong financial and budgetary controls and general resilience of the Society.

To enable us to adhere to our core values, we put the member at the centre of everything we do. The core purposes of the Society are principally:

1. To help people to save for what they want in life; and
2. To help people acquire their own home.

The Society also has the following secondary purposes:

1. To carry out the principal purposes in a friendly but professional way, with personal service; and
2. To provide savings accounts and mortgages at the best long-term rates that we can sustainably provide.

Business Review

The referendum on Britain's membership of the European Union and the changes in political leaders on both sides of the Atlantic remind us not only that change is inevitable, but also that the future is unpredictable. Nevertheless, every day the Society's members demonstrate two enduring characteristics: a desire to own their own homes and a readiness to save for the things they really want in life. These are the purposes for which the Society was established almost 140 years ago, and we anticipate that they will remain at the heart of the Society's activities and objectives for many years to come.

Quite apart from changes in the political landscape, at the start of the year few predicted a reduction in the Bank of England's base rate to 0.25% from its already record low position. Another measure announced at the same time as the base rate cut, the Term Funding Scheme, will also contribute to dampening down interest rates regardless of whether or not this Society participates in it. The Term Funding Scheme offers lenders access to low cost funding to encourage them to reduce the interest rates they charge on loans to households and businesses.

Consequently, it has been necessary to make further gradual reductions in the rates paid to savers over the year. Last year we took a view that we would restrict access to some of our accounts in preference to reducing rates further, acknowledging the loyalty of those who were already members. From a review of the market it is clear that others are taking a similar view,

with longer standing members benefitting from better rates than new applicants in a reversal of a practice that was the cause of some complaint just a few years ago. During this year we had to increase restrictions on access to our savings accounts, but the demand for them is a hugely positive sign that what we offer has enduring appeal and is right for our members.

It was also necessary to reflect changes in the mortgage market by reducing our already low Standard Variable Rate (SVR), which applies to the majority of our residential mortgages. However, perhaps the most significant development of the year was the introduction of a small range of mortgages that offered borrowers purchasing a home discounts off the SVR in exchange for a tie-in for three years. In designing these products care was taken to retain the features of simplicity and fairness to members that characterise the original mortgage product used so successfully by our members over many years. And of course, we continue to operate the same personal approach to our mortgage lending that ensures that borrowers enter into the mortgage that is right for them.

With these challenges, the Society's Board planned for only steady growth and a lower but satisfactory level of profits for the year to 31 October 2016. This was acceptable given that the Society's capital ratios, more fully explained in the Pillar 3 ICAAP document on our website, are more than adequate for the type of activities that we undertake. This meant that it was not necessary to aim to achieve profits that were high in relation to our growth. The Board's targets were achieved, with respect to growth in total assets of 2.32% and profit before tax of £1.37million.

2016 is the first year in which the Society is required to report under Financial Reporting Standard 102 (FRS 102), with an effective date of transition of 1 November 2014. As permitted under this accounting framework, the Society has also chosen to adopt International Accounting Standard 39 (IAS 39). The 2015 comparatives have been adjusted accordingly.

Statement of Comprehensive Income overview

	2016 £000	2015 £000
Total net income	3,800	3,957
Administrative expenses	(2,332)	(1,856)
Depreciation and amortisation	(40)	(44)
Operating profit before impairment losses and provisions	1,428	2,057
Impairment losses on loans and advances	3	35
Provisions for liabilities – FSCS	(58)	(126)
Profit before tax	1,373	1,966

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. The slight reduction in margin reflects lower returns on liquid assets; lower rates paid to savers were balanced with lower rates charged to borrowing members.



Administrative expenses

Additional expense was incurred this year on additional staff, IT systems, compliance and Society information and literature. Consequently, the management expenses ratio for the year rose to 0.88% (2015: 0.72%). The management expenses ratio expresses management expenses as a percentage of average total assets. The Society continually reviews its management expenses in order to support its ability to offer competitive rates to both savers and borrowers. However, at the current time it is necessary to invest in improvements to systems and processes in order to improve quality, safety and efficiency for members.

Financial Services Compensation Scheme levy

The net profit reported takes account of a provision charge of £0.058m (2015: £0.126m) in respect of the above levy.

Statement of Financial Position overview

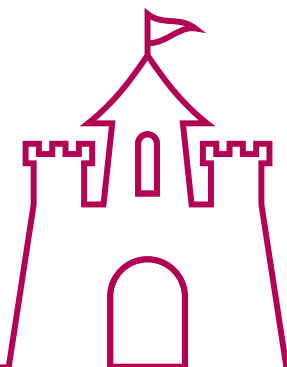
	2016 £000	2015 £000
Liquid assets	98,965	85,589
Loans and advances to customers	171,969	179,165
Tangible fixed assets	464	489
Deferred tax and other debtors	94	91
Total assets	271,492	265,334
Shares and amounts owed to other customers	251,507	246,113
Other liabilities, accruals and provisions	460	728
Reserves attributable to members of the Society	19,525	18,493
Total reserves and liabilities	271,492	265,334

Liquidity

The Society maintains sufficient liquidity to ensure that it meets liabilities as they fall due. The liquid assets comprising cash, bank balances and authorised investments amounted to £99.0m (2015: £85.6m), representing 39.35% (2015: 34.78%) of total shares and deposit liabilities as at 31 October 2016.

Loans and advances to customers

During the year the Society lent £27.7m (2015: £32.1m) to borrowers. Total advances secured on residential property and other loans reduced during the year to £172.0m (2015: £179.2m).



The Society identifies borrowers whose mortgage accounts have gone into arrears and consults with them about the reason for the arrears and in order 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 have to be repossessed and sold, sometimes at a loss to the Society.

When potential losses are envisaged, the Society makes provisions to cover such circumstances. During the year the Society did not take possession of any properties (2015: no possessions).

At 31 October 2016, there were no mortgage accounts 12 months or more in arrears (2015: nil) and only three mortgage accounts over three months in arrears (2015: 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 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 2016, there were seven accounts under forbearance measures and £0.003m of individual impairments. Total loan impairments decreased in the year by £0.003m. Only a small number of borrowers experienced difficulties in meeting their mortgage commitments (2015: £0.022m).

Shares and other investors

Shares and other investors' balances at 31 October 2016 were £251.5m (2015: £246.1m), an increase of £5.4m or 2.2% on the previous year. Our ability to retain members with our range of simple and straightforward products indicates that our savers' rates remained competitive in a low interest rate environment.

Total assets

Growth in total assets is a measure of our success in our core markets of mortgages and savings; however, our targets for the year were set for low growth given the challenges of the competitive mortgage market and in fact mortgage balances decreased by 4.02%. The total assets of the Society at the end of the financial year amounted to £271.49m (2015: £265.33m), an increase of £6.16m or 2.32%.

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 protect investors. The net profit for the year after taxation, which amounted to £1.09m (2015: £1.56m), has been added to the General Reserve, which now totals £19.53m (2015: £18.49m). Included in reserves is an amount of £0.21m (2015: £0.79m) in respect of an Available for Sale Reserve. This is an account established as a result of IAS 39, and represents the unrealised net gains on Treasury Assets determined as 'available-for-sale'.



Capital (Basel III/CRD IV basis)

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:	2016 %	2015 %
Core tier 1	21.98	20.11
Gross capital ratio	7.76	7.51
Leverage ratio	7.06	6.83

The Core tier 1 ratio expresses Core tier 1 capital (reserves excluding total loan impairments) as a percentage of risk weighted assets.

Gross capital is defined as the total reserves as shown in the Statement of Financial Position and is shown as a percentage of share and deposit liabilities.

The leverage ratio expresses tier 1 capital as a percentage of total assets plus total loan impairments plus a proportion of mortgage pipeline commitments.

Principal risks

Managing risk is a necessary part of running a successful business, and many of the risks faced by the Society are similar to those involved in running any financial services business: competition, pressure on margin, ever-changing regulatory and statutory requirements, reputation, staff recruitment and retention and risks from changes in the wider economy. The Society has a risk-averse culture, which ensures that it maintains a low exposure to risk and hence helps to protect members' interests.

Risk management approach

The Society has developed a risk management framework that is designed to identify, assess, manage and mitigate risks that may influence the delivery of the Society's strategic objectives. The Board is ultimately responsible for the risk management process and defines, through its risk appetite statements, the acceptable levels of risk exposure that should be taken in the delivery of the Society's strategic objectives. The Board ensures through its sub-committees that appropriate policies, procedures and processes are implemented across the business to control and monitor the risk exposures that arise from the Society's operations. As part of the Capital Requirements Directive (CRD), the Society has assessed the adequacy of its capital resources, and the Society's Pillar 3 disclosures, which are a requirement of the CRD, together with the disclosures to comply with the requirements of Article 89 of the Capital Requirements Directive IV (CRD IV), are provided on the Society's website, or are available from the Society's Secretary. The principal risks and uncertainties to which the Society is exposed are set out below.

Credit risk

Credit risk is the risk that members or Treasury counterparties may not meet their financial obligations to the Society as they fall due. This risk is most likely to arise in the potential inability of customers to make repayments on their mortgage, or of Treasury counterparties to repay their loan commitments.

The Assets and Liabilities Committee is responsible for monitoring the arrears profile and Treasury Counterparty risk, whilst the Board approves changes to counterparties and Treasury or lending policy.

Mortgage credit risk is managed through the Society's underwriting process, which seeks to ensure that borrowers only assume a debt that they can afford to repay. All mortgage

applications are rigorously assessed with reference to the Society's lending policy. No matter how prudent lending is, however, some members can get into financial difficulties. In such circumstances the Society is highly proactive in providing support, which can include working with them to clear arrears, making arrangements, or forbearance. This may involve a temporary transfer of the mortgage to interest only terms or the agreement of a payment plan.

Liquidity risk

Liquidity risk is the risk that the Society is not able to meet its financial obligations as they fall due, or can only do so at excessive cost. The Society's Board-approved liquidity policy is to maintain sufficient liquid resources to cover cash flow requirements and fluctuations in funding, to maintain full public confidence in the solvency of the Society and to meet its financial obligations. This is achieved by maintaining a prudent level of liquid assets and through management control of the growth of the business. The Society holds a buffer of high quality liquid assets such as UK Treasury Bills and Government securities as part of regulatory requirements.

The Society had no wholesale funded liabilities at any point during the year.

Interest rate risk

Interest rate risk is the risk that the income and expenditure arising from the Society's assets and liabilities may change adversely as a result of changes in interest rates. One particular type of interest rate risk is basis risk, which is the risk that assets and liabilities linked to different variable indices (such as Base rate or LIBOR) may not move in accordance with each other. The Society is exposed to movements in interest rates and manages this exposure on a continuous basis, within limits set by the Board.

Operational risk

Operational risk is the risk of loss arising from failed or inadequate internal processes, people and systems or from external events. This includes technology and cyber risk. The Society mitigates this risk by having a strong and effective internal control environment in which risks are monitored and controlled on a timely basis. Controls have been established and are maintained for all business areas. These controls appropriately address identified risks and ensure good conduct of the business in accordance with the Society's policies and risk appetite and compliance with relevant laws, regulations and rules.

Conduct risk

This is the risk that the Society does not treat its members (customers) fairly and of inappropriate or unsatisfactory consumer outcomes. The Board fully embraces the principles set out by the Financial Conduct Authority (FCA) and good conduct is a concept that is firmly embedded within the Society's culture, its corporate objectives and its policies and procedures. Conduct risk outcomes are monitored on a monthly basis by the Society's Operational Management Committee and the conduct risk policy is approved by the Board.





Risks arising from the result of the United Kingdom's referendum on leaving the European Union

The full implications of the referendum result are still being assessed and there are divergent views on the effect it will have on the UK economy in the longer term. However, in the short term there has clearly been an impact on exchange rates, which has no direct effect on the Society as all of its assets and liabilities are denominated in sterling. Potentially, the decision to leave the European Union could impact negatively on the UK economy, affecting other risks such as credit risk and interest rate risk which have been described further above.

Other risks and uncertainties

The Board has recognised other risks that may be relevant to the Society, namely reputational risk, business risk, concentration risk and regulatory risk.

Reputational and business risk are managed by adherence to high levels of conduct in our service, reviewing our performance in the context of the environment and market in which we operate, and by adhering to low-risk strategy and policies.

Within the confines of the Society's restricted range of products, concentration risk is addressed by setting geographical and other limits and ensuring that any assets of the Society are of high inherent quality.

Regulatory risk arises because of the volume and complexity of regulatory change and associated cost. The Society monitors its capacity to comply with regulation and allocates additional resource as required. This is overseen by the Audit Committee.

Financial risk management objectives and policies

The Society has a formal structure for managing financial risk. This risk is closely monitored and controlled by the Board, supported by the Audit and Risk Committees. In addition the Assets and Liabilities Committee actively measures and manages financial risks.

Directors

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

James W Dean, FCA
Chairman

David J Gage, MBE DL ACIB
Vice Chairman

Gary C D Crowe, Chartered Banker, FCIM
CAifs ACIB MCIBS

Jeremy G Hodgkiss, FCA CF MSI
Finance Director and Deputy Chief Executive

Colin C Lloyd, ACIB

Karen E McCormick, ACIS, PIIA

Brett Phillips, BSc ACA
Retired 31 August 2016

Nicholas H J Sandy, MRICS

Susan J Whiting, BA ACA CTA
Chief Executive and Secretary

The Directors who retire by rotation in accordance with rule 26(1) of the Society rules are Jeremy Hodgkiss and Colin Lloyd who offer themselves for re-election at the forthcoming Annual General Meeting.

The Directors wish to place on record their appreciation of the services of Brett Phillips, who retired during the year due to external commitments.

The Society has also recently announced the commencement of a process of succession planning for the current Chief Executive and Finance Director which will take place over the next 18 months. The Society is very grateful for the contribution that Susan and Jeremy make, and all Directors are committed to working together to ensure a smooth transition to their successors.

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

Creditor payment policy

The Society's continuing policy concerning the payment of its trade creditors is to pay invoices within the agreed terms of credit once suppliers have discharged their contractual obligations. Amounts due to relevant creditors of the Society are paid on average within 14 days of receipt of invoice (2015: 14 days).

Charitable and political donations

During the year the Society made donations of £6,835 (2015: £5,246) to charities. No contributions were made for political purposes. The Society sponsors, and its staff commit their time to, a range of local charitable and community causes.

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.

The Society in the community

The Society remains firmly committed to conducting all its affairs in an ethical and socially responsible manner. In particular, it is recognised that the major part of the Society's business and membership is drawn from the local community within which it operates. Consequently, the Society actively endeavours to identify with and support the community. Society policy is to source purchases and services locally if possible, and to provide support in terms of both finance and practical assistance to local charities, worthwhile causes and community-based organisations. The Society actively pursues environmentally friendly initiatives with the aim of mitigating the environmental impact of the business it undertakes. Members can play their part by registering to receive future Annual General Meeting packs online.

Events since the year end

The Directors consider that there has been no event since the end of the financial year that has a significant effect on the position of the Society.

Going concern

The Directors have prepared forecasts of the Society's capital position, financial position and liquidity for the period ending 12 months from the date of approval of these financial statements.



The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions.

The forecasts satisfy the Directors that the Society has adequate resources to continue in business for the foreseeable future. Accordingly, the accounts continue to be prepared on a going concern basis.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Society's auditor is unaware; and
- The Director has taken all the steps that should be taken by a Director in order to be aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

KPMG LLP has expressed its willingness to continue in office as Auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Future developments

The Directors are committed wholeheartedly to maintaining the Society's success by concentrating its efforts upon traditional Building Society business and offering a high standard of service to its investing and borrowing members.

On behalf of the Board of Directors

James W Dean

Chairman

23 December 2016



Summary Statement

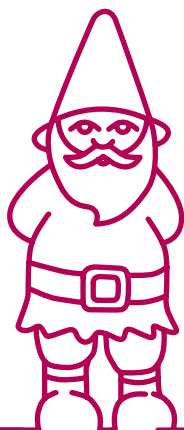
Results for the year ended 31 October

	2016 £000	2015 £000
Net interest receivable	3,800	3,958
Other income and charges	0	(1)
Administrative expenses	(2,372)	(1,900)
Impairment losses on loans and advances	3	35
Other provisions	(58)	(126)
Profit for the year before taxation	1,373	1,966
Taxation	(283)	(410)
Profit for the year	1,090	1,556

Financial position at 31 October

	2016 £000	2015 £000
Assets		
Liquid assets	98,965	85,589
Mortgages	171,969	179,165
Fixed and other assets	558	580
Total assets	271,492	265,334
Liabilities		
Shares	232,404	222,807
Borrowings	19,103	23,306
Other liabilities	460	728
Reserves	19,525	18,493
Total liabilities	271,492	265,334

The Society's financial statements have been prepared in accordance with FRS 102 and IAS 39 for the first time this year. The transition is effective from 1 November 2014 and the 2015 comparatives have been adjusted accordingly. Further detail of this transition is available in the Annual Report and Accounts.



Summary of Key Financial Ratios

	2016 %	2015 %
Management expenses as a % of mean total assets	0.88	0.72
Profit for the year as a % of mean total assets	0.41	0.59
Gross capital as a % of shares and borrowings	7.76	7.51
Liquid assets as a % of shares and borrowings	39.35	34.78

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 is similar to a company's return on capital.

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 2016 and 2015 total assets.

All 2016 and 2015 ratios reflect the results adjusted for FRS 102 and IAS 39.



Independent Auditor's Statement

to the Members and Depositors of The Stafford Railway Building Society

We have examined the summary financial statement of The Stafford Railway Building Society for the year ended 31 October 2016 set out on pages 3 to 14.

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 the Annual Review in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

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 31 October 2016, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of Section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 October 2016.

We also read other information contained in the Annual Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our report on the Society's full annual accounts 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 the Directors' Report of the Society for the year ended 31 October 2016 and conforms to the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

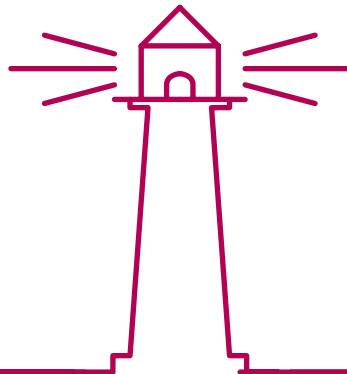
**John Ellacott (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor**

Chartered Accountants

KPMG LLP

1 Sovereign Square, Sovereign Street,
Leeds LS1 4DA

23 December 2016



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 (September 2014) (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.

Policy for Executive Directors

The Society has a contract with Deans (Staffordshire) Limited, Chartered Accountants, for the services of the Chief Executive and Secretary, and of the Finance Director and Deputy Chief Executive, which contains provision for termination upon 12 months' written notice by either party.

Base fee

The method of calculation of the base fee is specified in the contract with Deans (Staffordshire) Limited.

Bonus

The bonus is assessed by the Remuneration Committee and is based on a range of financial and non-financial corporate performance targets. Bonus payments are payable annually, are not guaranteed and are reviewed each year.

Pension

There are no provisions within the contract for any pension arrangements for the Executive Directors and no pension payments are made.

Other benefits

There are no provisions within the contract for any other benefits for the Executive Directors and no such benefits are provided.

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

The Committee, which comprises all the Non-Executive Directors, meets at least once a year to review the performance of and recommend the remuneration for the Executive Directors. It is chaired by Karen McCormick. The Committee ensures the Society's compliance with relevant elements of the FCA's remuneration code. The basis of remuneration is consistent with sound and effective risk management and does not encourage excessive risk-taking.

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):

	2016 £000	2015 £000
Non-Executive Directors	Fees	Fees
James W Dean (Chairman)	25.5	23.0
David J Gage MBE (Vice Chairman)	19.3	21.0
Gary C D Crowe	14.2	4.7
Colin C Lloyd	14.6	14.0
Karen E McCormick	14.2	4.7
Brett W J Phillips	14.0	16.3
Nicholas H J Sandy	14.2	14.0
Michael R Smith	-	5.5
	116.0	103.2

Amounts paid for services of the Chief Executive and Secretary and of the Finance Director and Deputy Chief Executive are as follows (2015 figures were payments for services of the Chief Executive and Secretary and Deputy Chief Executive only):

	2016 £000	2015 £000
Base fee	230	176
Bonus	17	25
VAT	49	41
	296	242

Karen E McCormick

Chairman of the Remuneration Committee

23 December 2016





**STAFFORD RAILWAY
BUILDING SOCIETY**

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Established 1877**

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Stafford ST16 2JH

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