

your PENRITH



BUILDING SOCIETY | *for life*

2017

Our year in review

ANNUAL REVIEW | SUMMARY FINANCIAL STATEMENT

WIN

£50 into your
PBS Account

See page 15 for details

WELCOME MESSAGE FROM OUR CHAIRMAN, Rob Cairns



Welcome

I hope you will find our Annual Review of 2017 both informative and interesting.

It has been a very challenging year for the Society, due to the present economic uncertainty, but we have achieved some satisfactory results and, despite us operating in a low interest rate environment, your Society has continued to grow and prosper.

At the end of the year, we said goodbye to our Chief Executive, Amyn Fazal, who decided to retire from his full time role. Amyn has transformed the Penrith, in his five years at the helm, into a modern mutual that is well respected across the financial services industry. We are sorry to see Amyn depart but we thank him for all his considerable efforts and wish him for a long and happy retirement.

The Board are, however, delighted to welcome Tim Bowen as our new Chief Executive. Tim joined the Society towards the end of 2016 as our Retail Operations Director and made an instant impact on the Society. He came to us with many years of senior banking experience and has, with his fellow Executives, developed a plan to see the Penrith become an even stronger financial institution over the next few years. We are very fortunate to have a strong Management Team and a great set of motivated staff who are renowned for giving excellent customer service.

Natalie Ruane regrettably stepped down from the Board for personal reasons at our last Annual General Meeting. We send our very best wishes to Natalie for the future and I hope one day she might rejoin us at the Penrith. With both Natalie and Amyn leaving the Board of Directors, we have made two new appointments in Richard Vecqueray, who runs a local farm veterinary consultancy, and Richard Drinkwater, who has had many years' experience working in the insurance industry. They both bring significant entrepreneurial skills to our Board and have settled extremely well into their directorial roles.

Our Annual General Meeting will be held at The Sunbeams Music Trust on Wednesday 18th April 2018 commencing at 6pm and I would encourage you to come along to hear further information relating to the Society's achievements and plans, ask any questions you may have and meet our Board and Management Team as well as receiving some Penrith hospitality. You will be made very welcome.

May I thank you for your continuing support of the Society which is very much appreciated by all of us.

Rob Cairns

Chairman

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Independent Auditor's
Statement to the Members
and Depositors of Penrith
Building Society

MESSAGE FROM OUR
CHIEF EXECUTIVE,
Tim Bowen



Dear Member

The sense of pride that I feel in writing this message to you, our members, is huge. Moreover, the privilege of having now officially taken over this wonderful Cumbrian institution as the ninth Chief Executive, after the Society celebrated its 140th anniversary in 2017, is just as great.

The principal business activity of the Society is the provision of long-term residential mortgages to borrowers, financed by personal savings from members, in keeping with traditional building society principles and values.

I am pleased to report that the Society has had a good year, reporting a steady growth in assets. However, faced with tough market conditions for mortgages, our gross lending was down on recent years, but a strong retention rate on existing borrowers has seen us grow mortgage assets overall. **We continued to attract savings inflows at a time of some very low interest rates in both markets.** Added to this, I am also able to report another healthy rise in our membership base - a real vote of confidence from our members. Profitability has seen a decrease as a result of investment in the business from a people and technology perspective.

The political and economic environment presents challenges to all aspects of industry, in every corner of the UK. This is also true within Penrith and Cumbria. General uncertainty remains around the outcomes and impact to our economy in relation to the United Kingdom's decision to leave the European Union. For a Cumbrian business, the potential of a further referendum in Scotland is another factor to consider and plan for. **The Society has an extremely experienced, capable and talented Board and it will continue to monitor any adverse indicators relating to this and many other factors in ensuring the Society remains resilient and strong against potential economic shocks.**



2018 will be a year of positive change and further investment to ensure the future sustainability and relevance of the Society. Our strategy to achieve this has been agreed and will provide many opportunities for the Society and the staff in the medium to long term to grow by increasing our relevance, entering new areas of the mortgage market, investing in our people and ensuring best value for our members both current and new.

The Board are also acutely aware of the effect that a prolonged low base rate environment has had on our members and will continue, as it has done in the past, to keep our rates as competitive as possible compared to similar products within the wider market.

The mortgage market was extremely competitive in 2017 with multiple new players entering the picture. **The Society still continues to have one of the lowest standard variable rates in the market.** In 2018, as a result of the fierce competition seen in 2017, the Society will enter different areas of the mortgage market that we both want to enter and can be competitive in. The Society will also look at different channels of distributing mortgage products by looking to expand existing relationships and develop new ones with brokers and broker networks. **We will continue to adhere to our responsible lending criteria to ensure that the quality of the mortgage book will remain of the highest standard.** The welcome recruitment of the Retail Operations & Distribution Executive, Michelle Stevens, has added a huge amount of expertise to our already very capable team. Michelle will support the delivery of our strategic objectives in the coming years.

Amyn Fazal, our retiring Chief Executive, deserves thanks for his service over the past five years and for handing over a building society that has extremely solid foundations. This provides the platform to move forward over the next three years and beyond. Thanks, must also go to our wonderful members of staff. I want to thank each of you for your hard work and commitment over the last year and am looking forward to achieving great things with you over the coming years.

Penrith is rare by virtue of the fact that it is one of very few towns or cities in the UK that has its own building society. This Society is wonderfully unique in so many different ways and is something that we should all, as staff, members and a Cumbrian community continue to support and be immensely proud of.

Timothy J Bowen (Chief Executive)
26 February 2018



The Society's vision is to be a thriving, sustainable and relevant building society, that is committed to what it does, has straightforward great value products and delivers long-term value for members and the community.

Our values, which support the vision are summarised as follows:

STRAIGHTFORWARD

Whether opening a savings account, or arranging a mortgage, we want to be easy to transact with. We will always look for ways to make things more straightforward for our members.

MUTUAL

Our members are our reason for being and are at the heart of everything we do. We will continue to enhance the benefits of mutuality and will never lose sight of the fact that we exist for our members.

ASPIRING

We will be there to help both our members and our staff achieve what they aspire to, for themselves and their family during their lifetime.

RELEVANT

We will always look for ways to ensure we stay relevant. We will continue to respond to members' needs through innovative, appropriate product design and through technological initiatives whilst remaining true to our roots.

TRUSTWORTHY

We will be open, honest and fair in our dealings with our members, so they can have the utmost trust and confidence in us as an organisation. We will not compromise our standards and will ensure all our dealings consider our members and ensure longevity for the Society.

In striving for our vision, our long-term strategy is to grow at a controlled pace to a sustainable and relevant level with an increased risk appetite, identifying areas of the mortgage market particularly that we can both be competitive in and wish to compete in. We wish to continue as an independent mutual building society and fulfil the social aspect of our purpose.

On-going success will be dependent on ensuring that we increase the efficiencies within our business model by investing, where appropriate, giving clear direction and support to our people and ensuring that we have a higher level of management information and a distribution model that is fit for purpose. This will allow the Society to be able to generate stronger, more sustainable returns, withstand financial stress and support the resources needed to operate credibly and competitively in the financial services environment.

Key Performance Indicators

The Society uses a number of key performance indicators to measure and monitor performance.

A summary of these measures over the last five years has been explained further on the following pages.

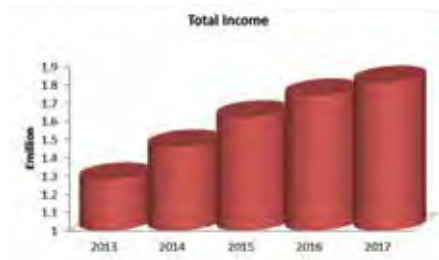


Income and Expenditure

Against tough market conditions, the Society made a profit for the year after taxation of £135,956 (2016: £166,546).

Total income was £1.81 million compared to £1.74 million in 2016. The net interest margin continued to be squeezed by the low interest rate environment and adjustments made to rates on savings products in 2016 allowed us to manage a weaker mortgage position than originally anticipated. In addition, the Society has continued to keep fees for mortgage products at a low level and in many cases will pay fees on behalf of borrowers and significant introducer fees are paid to brokers through which the Society sources an increased level of mortgage business.

The level of individual loan loss provisions has increased, albeit collective loan loss provision levels have remained relatively unchanged, which has seen the overall loan loss provision charge rise to £73,174 (2016: £25,031). The performance of the mortgage back book continues to be good in the low interest rate environment, with arrears being managed through arrangements being put in place with the affected borrowers. We continue to set aside funds to cover our share of the Financial Services Compensation Scheme levy, as a result of the failure of other financial services institutions in recent years. The levels required have fallen this year, leading to a release of £ 2,706 (2016: £21,898 charge).



Management Expenses

Management expenses including depreciation were £1.57 million (2016: £1.49 million), an increase of 5.37%. The cost income ratio has increased to 87.19% by the end of 2017 (2016: 85.71%). Management expenses expressed as a ratio of mean total assets are 1.48% (2016: 1.45%).

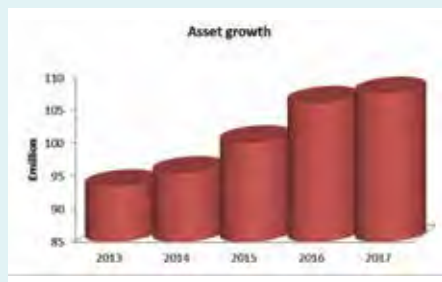
The rise in the cost base is attributed to further investment in people and technology. The Society has run with three Executive Directors for most of 2017, before the retirement of the past Chief Executive on 31 December 2017. In addition, a Retail Operations & Distribution Executive joined the senior team in early November 2017, to focus on operational improvements across the core areas of mortgages and savings and to build on existing sales and distribution activity through branch, intermediaries and other channels as appropriate.

An online broker portal has been rolled out in the second half of 2017, with further development of mortgage software in the pipeline, and further changes to the MyPBS area of the Society are imminent in 2018, which starts to build the online capability in the savings products. **The investment in the senior team and technology is key to the future sustainability of the Society.**

Total Assets

The Society has seen growth in its total assets in the past five years to a level of £107.45 million in 2017 (2016: £106.06 million).

The focus continues to be on attracting good quality residential mortgage assets to replace liquid assets (being cash and treasury investments) to improve the margin. Liquid assets were £25.59 million in 2017 (2016: £25.67 million), representing 23.82% (2016: 24.20%) of total assets and 26.58% (2016: 27.01%) of total shares and amounts owed to other customers.

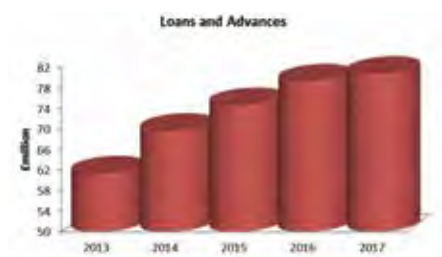


Loans and advances

The mortgage market has seen significant competition from existing and new entrants, which has meant our gross lending total has fallen to £17.34 million (2016: £21.89 million). This comprised 155 advances, including 21 further advances.

However, our strategy to retain our existing borrowers has proved effective, which has allowed us to further grow our overall mortgage assets, which now stand at £80.73 million (2016: £79.27 million).

This has meant that over the last five years our overall mortgage book has grown by 32%, which through a period of change in the way regulated mortgages are sold across the financial services industry, has been a significant achievement for the Society.



At 31 December 2017 there was one mortgage case (2016: none) where the repayment of principal and interest was twelve or more months in arrears and three cases (2016: six) where forbearance measures were in place. This confirms a continuing trend in low numbers of arrears cases over the last five years in the current low interest rate environment. The Society had three properties in possession at the end of 2017 (2016: three). Individual provisions are held for each of these properties.

The Society takes all reasonable steps to minimise loss and to ensure that the provisions of the responsible lending policy are monitored through individual underwriting so that due account may be taken of prevailing economic conditions. In particular, the Society is vigilant to the financial stresses which may arise for borrowers if interest rates start to increase. We offer constructive assistance and forbearance to borrowers in financial difficulty and maintain a personal approach, which our borrowers prefer, allowing us to develop a better understanding of their needs and individual circumstances.



Shares and amounts owed to other customers

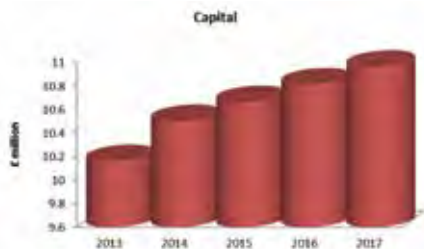
The Society is acutely aware of the impact that the low interest rate environment has had, particularly on our saving members. We monitor our savings rates compared to the market and have remained on par with, or above, the average for the building society sector throughout 2017.

During 2017 we maintained rates on our savings accounts where possible and we were able to pass the most recent base rate rise, in November 2017, onto our savings members across our ISA and Eden 90 products.

Shares and amounts owed to other customers have grown by 1.31% to a total of £96.30 million at the year-end (2016: £95.05 million). As with mortgages, this has been a strategic decision to grow the core areas of the business over recent years and since 2013 this growth has reached 16%.

Capital

At 31 December 2017, the Society's capital was £10.96 million (2016: £10.83 million). A satisfactory level of capital must be maintained to ensure the Society is protected against any adverse changes in economic conditions in general or in circumstances particular to the Society.



Risk assessment is carried out on an ongoing basis. To meet regulatory requirements, an assessment of the Society's capital policies and procedures (the Internal Capital Adequacy Assessment Process) is carried out by management and approved by the Board annually.

The free capital ratio (the aggregate of general reserve and collective impairment for losses on loans and advances less tangible and intangible assets) arising from this was 11.21% of total shares and amounts owed to other customers (2016: 11.20%). Gross capital amounted to 11.39% of total shares and amounts owed to other customers (2016: 11.39%). Both the free capital and gross capital ratios continue to be amongst the highest in the sector.



	2017 £	2016 £
Tier I capital	10,963,930	10,827,974
Total capital	10,963,930	10,827,974
Risk weighted assets:		
Liquid assets	5,214,460	6,221,196
Loans and advances to customers	30,214,778	30,070,651
Other assets	1,627,305	2,177,323
Operational risk	1,609,817	1,454,980
Total risk weighted assets	38,666,360	39,924,150
Capital ratios:		
Core tier I	28.36%	27.12%
Leverage	10.12%	10.08%

The table here summarises the Core Tier I ratio, being Core Tier I Capital (reserves excluding mortgage impairments) as a percentage of risk weighted assets and the Leverage Ratio, being Tier I Capital as a percentage of total assets plus mortgage impairments plus a proportion of mortgage pipeline commitments.

These aspects are expanded on further in the Society's Basel III disclosures for Pillar 3, available on the Society's website, www.penrithbuildingsociety.co.uk

Principal Risks and Uncertainties

The Society maintains a policy of low exposure to risk so as to maintain member confidence and to allow the achievement of its corporate objectives. There is a formal structure for risk management in place which includes full control procedures as well as the establishment of risk limits, mandates and reporting lines. All risk management policies are reviewed regularly by the Board.

The main risks to which the Society is exposed are Credit Risk, Interest Rate Risk, Liquidity Risk, Financial Risk, Concentration Risk, Conduct Risk, Operational Risk and Reputational Risk. These are described in more detail within the full Annual Report and Accounts.



Donations

During the year charitable donations totalling £8,552 (2016: £7,255) were made. No contributions were made for political purposes.

Directors

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

NON-EXECUTIVE DIRECTORS

- **Robert J Cairns**, *Chairman*
- **Alan G Waterfield**, *Vice Chairman*
- **William RC Lindsay**, *Senior Independent Director*
- **Janice Lincoln**
- **Richard J Vecqueray** (*Appointed 27/04/2017*)
- **Richard L Drinkwater** (*Appointed 01/07/2017*)
- **Natalie Ruane** (*Retired 26/04/2017*)

EXECUTIVE DIRECTORS

- **Timothy J Bowen**, *Chief Executive* (*Previously Retail Operations Director, appointed 27/04/2017*)
- **Amy S Fazal**, *Chief Executive* (*Retired 31/12/2017*)
- **Elsbeth L James**, *Finance Director*

The Director retiring by rotation in accordance with the Rules and offering herself for re-election is Janice Lincoln, having served on the Board for a 3-year period.

Timothy J Bowen, Richard L Drinkwater and Richard J Vecqueray, having been appointed to the Board in 2017, are eligible for election in accordance with Rule 25(5) and offer themselves for election.

During the 12 months ended 31 December 2017, Amy S Fazal had been a non-executive director of Mutual Vision Technologies Limited, which provides IT services to the Society. There were no other associated bodies in which the Society or its Directors had an interest.



Staff

The Directors are pleased to record their appreciation to management and staff for their hard work and loyal service rendered during the year.

The Board encourages the personal development and training of both management and staff in order to ensure that employees have sufficient expertise, qualifications and relevant skills to provide the standard of service required. Wherever appropriate, staff and management attend suitable training courses and seminars to support their personal development.

Going concern

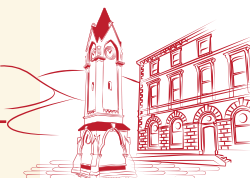
Forecasts of the Society's financial position for the period ending twelve months from the date of the signing of these accounts have been prepared. The effects of various stressed scenarios on the Society's financial position have also been calculated. These forecasts have satisfied the Directors that the Society has adequate resources to continue in business for the foreseeable future. For this reason the accounts continue to be prepared on the going concern basis.

Members

The Society's Board is heartened by and would like to express its sincere gratitude for the continuing strong support and loyalty shown by you, the members.

Approved and signed on behalf of the Board

Timothy J Bowen (Chief Executive)
and Robert J Cairns (Chairman)
26 February 2018



Stamp Duty changes for First Time Buyers



New Government incentives launched

Christmas came early for first time buyers who were handed a tax cut on Stamp Duty in the November 2017 Budget. In a positive move, which is anticipated to help millions of first time buyers achieve their dream of stepping onto the housing ladder, the Government has acknowledged how financially

challenging it can be for first time buyers.

It is encouraging to see the launch of an initiative of this type and, when used in conjunction with the benefits of schemes like the Help to Buy: ISA, and support from the Penrith offering mortgage loans with deposits potentially as low as 10%, what was seen as unachievable by many, might actually become a reality.

Base Rate Increase

Whilst increasing Bank of England base rates is never really a good news story, for those with mortgages it should be viewed as a “call to action”. Here at the Penrith we have helped many borrowers move their mortgage from their current lender to us, and in doing so have reduced the rate of interest they pay.

With some lenders charging a standard variable rate (SVR) of up to 6%, it is certainly worth giving our mortgage team a call to see what we currently have on offer, in some cases we can also assist with the costs associated with moving your mortgage.

Buy to Let Tax Changes

During 2017 many landlords saw the rate of return on their Buy to Let investments reduce with the first stage of changes to tax relief coming into effect. It is therefore imperative that landlords who wish to retain

a mortgage consider their ownership options wisely.

The Society recognises our purpose is to ensure people have a “home” and that our primary driver is to support home ownership, however, we do accept this is not the preferred route for all. Our members’ needs differ and for some, a rental property offers the flexibility

they require. We will, at the Penrith, continue to support those borrowers who wish to purchase on a Buy to Let basis, and this year, we have devised a number of initiatives to assist including a Guarantor Buy to Let, the top slicing of income and also consideration of first time landlords.

HIGHLIGHTS FROM THE *Community Calendar*

During 2017 we continued in our support of various local and national charities including **Eden Valley Hospice (EVH) & Jigsaw, Cumbria's Children's Hospice and Macmillan Cancer Support**. We would like to take this opportunity to thank both members and non members who happily support our various fundraising activities.



In September the staff donned their aprons once more to support **Macmillan's Worlds Biggest Coffee Morning** raising funds to help Macmillan nurses support those affected by cancer. Sue, our Head of Risk and Compliance baked a superb cake which sold as soon as we opened for business!

November 1st was **National Stress Awareness Day** which began a month of nationwide activities to raise awareness of the impact of stress in both work and personal lives. Adrienne Harrison-Cottrell of "Health & Healing for All" in Carlisle happily provided reflexology sessions to staff and donated the proceeds from the sessions to Eden Valley Hospice. Pictured with staff are Natalie Bingham of Eden Valley Hospice and Adrienne Harrison-Cottrell.



Mr Sowerby of Appleby was the **winner of our 2017 AGM draw** and was very pleased to receive £100 of B&Q vouchers. For your chance to win please see the back cover for this years draw details.

Penrith Show this year saw us kick off our 140th Birthday Celebrations. Unfortunately, the weather was particularly unkind but we didn't let this dampen our spirits and the birthday party went ahead in true PBS style! We welcomed old and new friends who all admired the wonderful cake made by Jenny Askew while enjoying shelter from the weather with a glass of our, by now traditional, Pimms.





Michelle Stevens

Retail Operations & Distribution Executive

We are very pleased to announce the appointment of our Retail Operations & Distribution Executive, Michelle Stevens who joined the Society in November. Michelle has brought with her a wealth of experience and a passion for mutuality. Her career in financial services began in 1987, around the time of questionable perms, fluorescent fashion and Rick Astley's "Never Gonna Give You Up". She has worked with a number of mutual societies, so, when the opportunity to join the Penrith arose, she jumped at the chance and has relocated to the area with her husband, extended family and her Cockapoo puppy, Daisy.

Michelle is looking forward to continuing to build on the success of the Society to date, and, from a personal perspective, is keen to become involved in the local community.

Matthew Law

Business Services Support Officer

Here at the Penrith we pride ourselves on encouraging our "homegrown" talent and, at just 18, Matthew Law is the youngest member of the PBS Team. Matthew came to us from Ullswater Community College, as a part time member of staff and many of our members will recognise him from his role in the Branch team. A keen learner, Matthew has now embarked on an IT Infrastructure Technician apprenticeship with the Society. When he does find himself with spare time, Matthew enjoys walking with his dogs, Ember and Ink, or cycling with his dad.

If like Matthew, you are interested in a career with the Society, keep an eye on our website www.penrithbuildingsociety.co.uk for any future opportunities.





Income Protection Plus from PG Mutual

If you found yourself unable to work due to illness or accident, could you afford to keep up with your financial commitments whilst you recover? Income Protection Plus provides you with a tailored plan that pays you a regular income should you find yourself off work due to injury or illness, an income that will help you pay the bills whilst you recover.

PLUS, as an added bonus, PG Mutual returns its profit to its members meaning the plan builds up an investment element for your future, whether you claim on the plan or not!

Obtain your personal quote via our website www.penrithbuildingsociety.co.uk.



Member Benefits launched for our members

As a mutual, Penrith Building Society really values its members and we are pleased to launch our Member Benefits. All members have free access to a fantastic member benefits scheme which provides access to a whole range of discounts/cashbacks and offers on popular brands and services such as:

- Electrical and technology retailers
- High street clothing brands
- Mobile networks
- Free telephone legal advice service
- Discounted car and home insurance
- Fitness centres
- And many more...

We realise that it is becoming increasingly easy to find 'competitive' deals and offers through work or on the internet. That's why the collective buying power of the membership has been harnessed to bring you, wherever possible, prices which we believe are very hard to beat.

You will find that more and more benefits within PG Mutual Benefits bear a price promise stamp:



Member Benefits can be accessed from the homepage of our website, www.penrithbuildingsociety.co.uk

Date for your diary....

This year the AGM will take place at **6pm, Wednesday 18th April 2018** at The **Sunbeams Music Trust**. You can still cast your vote if you cannot attend, and for every vote we will be making a donation to the Alzheimers Society.

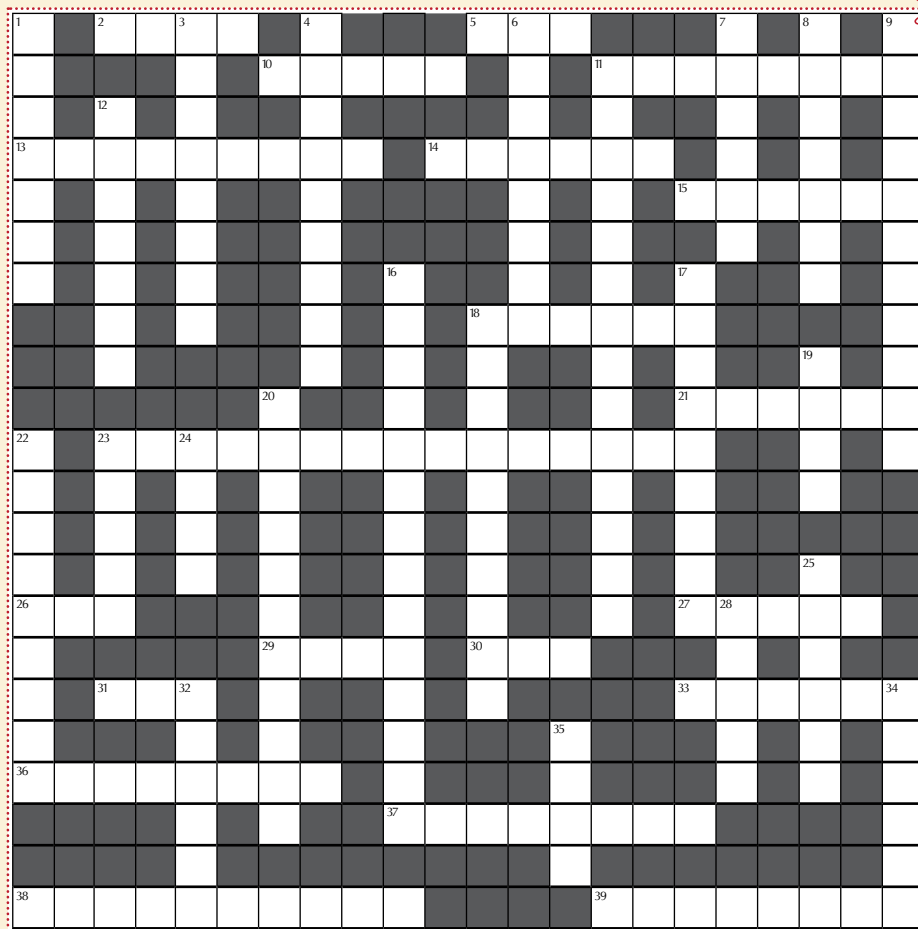


CROSSWORD COMPETITION 2018

WIN!

£50 paid into
your PBS
account

Please hand in or post your entry to Penrith Building Society, 7 King Street, Penrith, Cumbria
CA11 7AR. **Entry is for members only.** Closing date is 31 May 2018. A draw will be held
from the correct entries. £50 prize to be paid to a new or existing account with the Society.



NAME:

ADDRESS:

Across

- 2 First step on our pathway (4)
5 Richard Vecquaray's qualification (3)
10 Popular sport with our Directors (5)
11 Loan to help you buy your home (8)
13 Savings for your first home (4-2-3)
14 Earnings (6)
15 Finish work (6)
18 You, our (7)
21 What you do for a rainy day (6)
23 Who joined the Society in November (8-7)
26 Purchase (3)
27 Michelle's dog (5)
29 We can help you buy this (4)
30 Being held on April 18th (3)
31 Our corporate colour (3)

- 33 Special abilities (6)
36 A member of the Board (8)
37 Can provide you with Income Protection (1-1-6)
38 Charity benefitting from your votes (10)
39 Save to earn this (8)

Down

- 1 We have two of these on our Board of Directors (7)
3 Celebrations at Penrith Show (8)
4 Michelle Stevens is passionate about this (9)
6 Another name for a leaflet (8)
7 King, our address (6)
8 Matthew enjoys doing this (7)
9 What did staff benefit from in November (11)

- 11 The scheme that provides access to discounts and offers (6-8)
12 Our Finance Director (7)
16 Matthew's vocational training (14)
17 This puzzle (9)
18 Our Business Services Support Officer (7-3)
19, 25 down No 1 artist in 1987 (4-6)
20 Where we held our celebrations (7-4)
22 A type of mortgage we offer (4-5)
23 This apparently makes the world go around (5)
24 We all like to eat this (4)
25 See 19 down
28 Surname of our star bakers (5)
32 Choose (6)
34 Offer for approval (6)
35 Cast yours for our AGM (4)

For life...



"Great little account to encourage us to save for our daughter's future. Liked the contribution to the local charity linked to the account – and she loves her squirrel!"

- PT, Penrith

Baby



"Wonderful account for locals - encouraging me to save towards life's unexpected moments!"

- KA, Penrith

Regular Savers



Juniors



HtB: ISA

"The Society's Help to Buy: ISA offered me a clear and transparent route into home ownership. Now 18 months into my mortgage, I am grateful for the assistance the Society offered and very much enjoying life as an adopted Yorkshireman on the Northern fringes of the Peak District."
- SH, formerly Carlisle



"Whilst a self-build project can be daunting, I found that arranging the finance with the Penrith was a simple process which allowed me to concentrate on the building works."

- LB,
Windermere



Dream
Self-Build



First time
Buyers

PENRITH

BUILDING SOCIETY | *for life*





Robert Cairns

Non-Executive Director & Chairman

Rob joined the Board in May 2013 having retired from the Furness Building Society where he was Chief Executive for 14 years. Prior to this he was the Deputy Chief Executive at the Cumberland Building Society. He is a graduate of the University of Sussex, holding a degree in psychology. Following his retirement he has remained actively involved in the Cumbrian business community. He is an avid sports fan particularly when it comes to football and cricket. He has two grown-up daughters and a number of grandchildren.



Richard Drinkwater

Non-Executive Director

Richard joined the Board in July 2017. He is a Director of Sports Booker Limited and the Aqua Parks Group Limited. Prior to this Richard spent 17 years with the Royal & Sun Alliance Insurance Group as Director of Marketing for the Worldwide Group and, up until the merger, worked for the Sun Alliance Group in the Life, Pensions and Investment business. Richard has an MBA in marketing & finance from the University of Sussex. He is a keen runner and an avid supporter of rugby.



Janice Lincoln, Non-Executive Director & Chair of Audit, Risk and Compliance Committee

Janice joined the Society's Board in 2014 bringing a vast knowledge of the building society sector; having spent her working life in various roles at the Darlington Building Society. In 2010 she was appointed as the Finance Director of Darlington Building Society, a post she held until her recent retirement. She has always been actively involved in her local community and won the 2014 Leadership Award from the Mortgage Finance Gazette. Qualified as a Chartered Certified Accountant, Janice is married with two grown-up daughters and enjoys spending time with her family and has many hobbies, including gardening.



Will Lindsay

Non-Executive Director & Senior Independent Director

Will joined the board in 2015 having had a long and successful career in banking. He was appointed to the position of Senior Independent Director in 2016 and is the Society's Conduct Risk Champion. His knowledge extends across all aspects of retail banking, including private and business banking. Before retiring he was Regional Director for London and South region of Clydesdale Bank and on his way south spent seven years in Cumbria as Regional Manager. He is a Fellow of the Chartered Institute of Bankers in Scotland. He enjoys all sports and spending quality time with his family.



Richard Vecqueray

Non-Executive Director

Rich joined the Board in April 2017. He moved to Penrith after graduating in 1995 from Bristol University and, despite brief spells away, has called it home ever since. He began his career as a farm vet with Rowcliffe House Vets in Penrith and has gone on to set up his own local business providing insight and overseeing the health, welfare and productivity of animals. Through the growth of his own organisation, Rich developed a keen interest in business in general and completed an MBA with London Business School in 2017. Rich loves spending time with his family and is also a keen fell runner.



Alan Waterfield

Non-Executive Director & Vice Chairman

Alan was educated at Dulwich College and the University of Sussex and has a degree in economics. He qualified as an accountant in 1996 while working for Andersen Consulting. He enjoys working in smaller organisations and has held several finance director roles, primarily in telecoms and technology businesses. Following a number of years in the London area, Alan moved to Cumbria with his wife, who is from Penrith, and their two children. He became a director of Penrith Building Society in 2010 and was appointed to the position of Vice Chairman in 2016. He loves sport particularly cycling and rugby.



Tim Bowen

Chief Executive

Tim was born in Penzance and spent the majority of his career, before joining the Society, in various leadership roles within the banking industry. Tim joined the Society initially in October 2016 as Retail Operations Director and became a member of the Board of Directors in April 2017. He and his partner live in the North Pennines with their baby daughter and their Westie dog. Tim enjoys playing golf in his spare time. He also has a passion for travelling and sport, in particular rugby union.



Elsbeth James

Finance Director

Elsbeth was born in Carlisle and has a degree in mathematics and statistics from Edinburgh University. Elsbeth gained 17 years' accounting experience with KPMG and latterly Johnston Carmichael, where she worked with retail banking clients and other building societies both in the UK and Australia. Elsbeth became the Finance Director of Penrith Building Society in January 2013. She and her partner live in Penrith with their baby daughter and two Airedale terriers. In her spare time Elsbeth enjoys running and pilates.

The Summary Financial Statement, on pages 20 and 21, the message from our Chief Executive on pages 3 and 4, and the Business Review on pages 5 to 10, is a summary of the information in the audited Annual Accounts, Directors' Report and Annual Business Statement, all of which will be available in the Society's Branch or on the website at www.penrithbuildingsociety.co.uk, from 23 March 2018.

SUMMARY FINANCIAL STATEMENT

For the year ended 31 December 2017

RESULTS FOR THE YEAR	2017 £	2016 £
Net Interest Receivable	1,785,228	1,693,279
Other Income and Charges	20,817	50,380
Administrative Expenses	(1,574,694)	(1,494,418)
Provisions	<u>(70,468)</u>	<u>(46,929)</u>
Profit for the Year before Taxation	160,883	202,312
Taxation	<u>(24,927)</u>	<u>(35,766)</u>
Profit for the Year	<u>135,956</u>	<u>166,546</u>

FINANCIAL POSITION AT END OF YEAR	2017 £	2016 £
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ASSETS

Liquid Assets	25,591,974	25,668,669
Mortgages	80,731,212	79,266,190
Fixed and Other Assets	<u>1,127,853</u>	<u>1,128,716</u>
Total Assets	<u>107,451,039</u>	<u>106,063,575</u>

LIABILITIES

Shares	94,550,617	93,330,473
Amounts Owed to Other Customers	1,749,119	1,720,110
Other Liabilities	187,373	185,018
Reserves	<u>10,963,930</u>	<u>10,827,974</u>
Total Liabilities	<u>107,451,039</u>	<u>106,063,575</u>

Approved by the Board of Directors on 26 February 2018 and signed on its behalf by:

Robert J Cairns (Chairman)

Janice Lincoln (Director)

Timothy J Bowen (Director, Chief Executive)

SUMMARY OF KEY FINANCIAL RATIOS

	2017	2016
Gross capital as a percentage of shares and amounts owed to other customers (Note 1)	11.39%	11.39%
Liquid assets as a percentage of shares and amounts owed to other customers (Note 2)	26.58%	27.01%
Profit for the year as a percentage of mean total assets (Note 3)	0.13%	0.17%
Management expenses as a percentage of mean total assets (Note 4)	1.48%	1.45%

NOTES TO THE SUMMARY FINANCIAL STATEMENT

1. The gross capital ratio measures the proportion which the Society's capital bears to the Society's shares and borrowings. The Society's gross capital consists of reserves, which are the Society's profits accumulated over many years.
Capital provides a financial cushion against difficulties which might arise in the Society's business and therefore protects investors.
2. The liquid assets ratio measures the proportion which the liquid assets held in the form of cash, short term deposits and Government securities bears to the Society's shares and borrowings. Liquid assets are utilised by the Society in its cash management enabling the Society to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
3. The ratio of profit for the year as a percentage of mean total assets measures the proportion which the profit after taxation for the year bears to the average of the total assets at the beginning and end of the financial year. The ratio is similar to a company's return on assets. Profit is transferred to reserves, thus forming the capital which is essential in order to protect members.
4. The ratio of management expenses as a percentage of mean total assets measures the proportion which administrative expenses as reported in this document (which includes depreciation) bear to the mean total assets in accordance with the Accounts Regulations.

DIRECTORS' REMUNERATION REPORT

The Society's Remuneration Policy is to reward Directors through salary and fees according to their skills, expertise, experience and overall contribution, taking into account salary and fee levels in comparable organisations. The Society's Remuneration Policy follows the 'Remuneration Code' guidelines put in place by the Financial Conduct Authority (FCA), which set out the standards and policies the Society is required to meet when setting pay for Directors. The Society does not have bonus or share option schemes and therefore no element of variable remuneration. In addition, due to its size, the Society does not have any material risk takers who meet the proportionality thresholds set by the FCA on the implementation of the Remuneration Code, and therefore no separate additional disclosures are required. The Board will include an advisory resolution on the Directors' Remuneration Report at the forthcoming Annual General Meeting.

Executive Directors

The Society's policy is to set remuneration at levels sufficient to attract and retain Executives of sufficient calibre and expertise.

Fees for services as Non-Executive Directors	2017 £	2016 £
Robert J Cairns	18,270	18,270
Richard L Drinkwater <i>(Appointed 1 July 2017)</i>	6,439	-
Janice Lincoln	15,438	14,718
William R C Lindsay	14,938	14,718
Natalie Ruane <i>(Retired 26 April 2017)</i>	-	1,226
Geoff Silburn <i>(Retired 20 April 2016)</i>	-	4,906
Richard J Vecqueray <i>(Appointed 27 April 2017)</i>	9,658	-
Alan G Waterfield	14,938	14,718
TOTAL FOR NON-EXECUTIVE DIRECTORS	79,681	68,556

For services as Executive Directors	2017 £	2016 £
Timothy J Bowen	Salary 53,333	-
	Pension 5,333	-
	Contributions	-
	58,666	-
Amy S Fazal	Salary 111,432	109,776
	Pension 11,143	10,978
	Contributions	
	122,575	120,754
Elspeth L James	Salary 56,773	77,220
	Pension 5,979	7,722
	Contributions	
	62,752	84,942
TOTAL FOR EXECUTIVE DIRECTORS	243,993	205,696

TOTAL FOR DIRECTORS EMOLUMENTS	323,674	274,252
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Approved and signed on behalf of the
Remuneration Committee
Alan G Waterfield (Chairman)
26 February 2018

Executive Directors' remuneration comprises basic salary and pension benefits. Their salaries are considered by the Remuneration Committee which meets at least twice a year. Salary levels are set having regard to job content and responsibilities, the performance of the individual and salaries in similar organisations. The Society does not have a defined benefit final salary pension scheme. The Society makes contributions to the private pension arrangements of the Executive Directors. The new Chief Executive's and Finance Director's contracts of employment require a 12 month and 6 month notice period respectively.

Non-Executive Directors

The remuneration of all Non-Executive Directors is fee based and is reviewed annually by the Board. They do not participate in any performance pay scheme, pension arrangements or other benefits and do not have service contracts.

The Chairman of the Board, Chairman of the Audit, Risk and Compliance Committee, Chairman of the Nominations Committee and Senior Independent Director receive higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on those positions.

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS AND DEPOSITORS OF PENRITH BUILDING SOCIETY

Opinion

We have examined the Summary Financial Statement of Penrith Building Society ('the Society') for the year ended 31 December 2017 set out on pages 20 to 21.

On the basis of the work performed, as described below, in our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2017 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 Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2017, 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 December 2017.

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 Annual Accounts describes the basis of our opinions on those Annual Accounts, 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 with the full Annual Accounts, the 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.

David Allen

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

I Sovereign Square, Sovereign Street, Leeds, LS1 4DA



26 February 2018

PENRITH



7 King Street, Penrith,
Cumbria, CA11 7AR.

BUILDING SOCIETY | *for life*

Tel: 01768 863675

Directors

Timothy J Bowen
Robert J Cairns (Chairman)
Richard L Drinkwater
Elspeth L James
Janice Lincoln
William RC Lindsay
Richard J Vecqueray
Alan G Waterfield

Solicitors

Gaynham King & Mellor,
2 Mason Court, Gillan Way,
Penrith, CA11 9GR

Auditor

KPMG LLP, 1 Sovereign Square,
Sovereign Street, Leeds, LS1 4DA

Bankers: NatWest Bank Plc,
24 Devonshire Street, Penrith,
CA11 7ST

Chief Executive: Timothy J Bowen

Finance Director: Elspeth L James

Secretary: Susan J Askew

Date for your diary...

This year the AGM will take place at

6pm, Wednesday 18 April 2018

at The Sunbeams Music Trust, Penrith,
CA11 0DT

For every vote cast for this years AGM, we will be
making a donation to The Alzheimer's Society.

Make your vote count. To enter the draw for the
chance to win £100 J&J Graham vouchers, simply
register your vote for the AGM. You can do this online,
by post or at our Branch. Full prize terms & conditions
can be found at www.penrithbuildingsociety.co.uk



www.penrithbuildingsociety.co.uk

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