

*your new look*

PENRITH

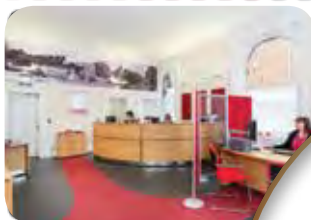


BUILDING SOCIETY | *for life*



2015

Our year in review



WIN

a J&J Graham  
Eden Hamper!

See page 7 for details.

ANNUAL REVIEW | FINANCIAL STATEMENT

## WELCOME MESSAGE FROM OUR CHAIRMAN, Rob Cairns.

*Dear Member*

I am delighted to welcome you to our Annual Review of 2015. I am sure you will agree that it has been another year full of notable achievements for Penrith Building Society.

2015 has been my first full year as your Chairman and I am delighted to report that it has been a very successful one for the Society. It has now been over seven years since we have had a Bank of England base rate change and, despite the low interest rate and uncertain economic environment continuing throughout 2015, your Society has been able to produce some record results as well as reaching a number of worthy milestones.

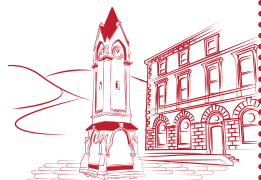
The Board and I would like to thank our excellent management team and staff who have achieved so much in what has never been a particularly easy year. I would also very much like to thank you, our members, for your continuing support of Penrith Building Society.

We have continued to refresh your Board over the year and I am sure that you will want to join me in welcoming **Will Lindsay**, who has had a very successful banking career with Clydesdale Bank, both in Cumbria as well as further afield, and **Natalie Ruane**, a local lawyer with Burnetts. Following their co-option to the Board, they have already made quite an impact and are up for election at our forthcoming Annual General Meeting (AGM). This year, we unfortunately will be saying goodbye to my vice chairman, **Geoff Silburn**, who will be retiring and stands down at our AGM after some 13 effective years as a director of your Society.

We have a new venue for our forthcoming **AGM** which takes place at **The Rheged Centre, Penrith, on Wednesday 20th April 2016, commencing at 6pm**. Please come along to hear about your Society's record-breaking year and join us for some refreshments. We would be extremely pleased to see you.

Yours sincerely

*Rob Cairns*  
Chairman



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MESSAGE FROM THE CHIEF EXECUTIVE, Amyn Fazal.

I am delighted to present the results for the Society for the year ended 31 December 2015.

2015 has been a milestone year for Penrith Building Society as we passed £100m of assets held to set a new record level and we are also able to report increased profits year on year. We are thus able to invest in our business, our people and our technology and also to ensure that we set aside sufficient annual profits to build a healthy capital base for the future. Added to this is another rise in our membership base and the creation during 2015 of an attractive branch office environment. This has been another year of steady progress for your Society.

As has been the case since 2009, our core mortgage markets have been challenging. Furthermore, the low interest rate environment has continued to be difficult for savers. It is therefore very positive



that the Society continues to make progress in both markets despite the continuing challenges. The Government's Funding for Lending Scheme has meant that the supply of cheap money to many institutions has continued to reduce mortgage pricing over the year. This can of course have an impact on the Society's savers rates, but I am pleased to report that we have kept any interest rate movements to a minimum. We understand the importance of balancing the needs of both savers and borrowers.

As can be seen from the key financial highlights below, the Society has performed well:

- Record assets of £100.08m
- Gross mortgage advances at £18.12m – our second highest ever after a record year in 2014 of £23.13m
- Profit before tax increased 34.94% over 2014 and stands at £200,724 (2014: £148,754)
- Mortgage assets have increased by 7.19% to a new record level of £74.62m (2014: £69.62m)
- Increased reserves to £10.66m or 11.94% of shares and amounts owed to other customers (2014: £10.50m and 12.38% respectively)
- Net interest receivable of £1.55m has increased from £1.44m in 2014 on the back of improved margins







During 2015 we completed a major branch office refurbishment. This has been well received by our customers. Easier access and fast till positions have been created where business can be transacted quickly with our trained customer representatives. Private

interview positions have been provided where more complex financial services needs can be discussed, again with that personal touch our customers value.

## Mortgage lending



Gross lending in 2015, while lower than the year before, was nevertheless satisfactory considering the fierce competition in the market and borrowers' propensity to look for fixed mortgage rates covering longer periods than we are able to offer. However, increasing the size of our mortgage book by £5m, as a result of lower redemptions and more borrowers wishing to continue their relationships, represents real progress. The increase in mortgage assets has not been at the expense of reducing our credit risk approach.

## Savers



This competitive mortgage rate environment combined with the record low level of Bank of England base rate, which has now lasted for seven years, has created significant downward pressure on rates paid to savers. The Society cannot remain immune from such conditions, but at all times the Board has sought to ensure that the rates offered to investors are competitive.



## Investment

The Society continues to invest in better services for members and also in attracting and recruiting talented people to the organisation. Both are critical to the ongoing success of the Society and to meet changes to customer behaviours and expectations. In 2015 we completed a major technology-related enhancement through our partner organisation, Mutual Vision, that will bring increased efficiencies in the way that we handle transactions. We now plan to invest further in technology allowing greater access to our services, improved efficiency, and the ability to continue to meet the increasing flow of regulation.



## Our People

We know how much you value the level of personal service that a local society provides over and above that which can be found elsewhere in all areas of business life. What has been considered old fashioned in recent years is now seen as the right and proper way of doing things as many other sectors and industries struggle with issues of trust and integrity. I am proud of our staff who have all dedicated themselves to the provision of simple great value products coupled with the highest levels of service. The

staff work hard to serve members' needs and we are delighted with your positive feedback provided either directly to us or via our customer surveys, which have shown some great results.



## Outlook for 2016

It is difficult to forecast market conditions that will prevail during the next three years, but it is important to understand that most commentators are uncertain about the timing of the first rise in base rates. It seems that, if it happens at all, it may be later in 2016 or even 2017. In the meantime, housing market transaction volumes appear more subdued than a year ago and this will probably continue in 2016. Recent economic data suggests the UK economy is still set to grow in 2016 but that inflation will remain very low. We continue to see strong downward pressure on interest rates as competition in the mortgage market increases even further. The Society cannot ignore the market it operates in and so the Board will continue to keep a close eye on its interest rate structure in both the savings and mortgage market.

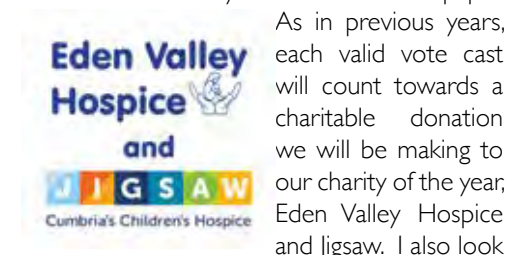
**The Society only exists because of its members and we remain determined to further improve access to our services.** We will continue to offer competitive products to first-time and other homebuyers. We will maintain margins to keep the confidence of our Regulators and of you, the members, in our financial strength. We plan to increase

further the ability of our branch team to deal with your more complex financial services needs. Our staff receive on-going training so that we can help you to make informed decisions to fulfil your current and future financial services needs.



**I am grateful for the dedication of management and staff who continue to provide members with an excellent personal service. The Society remains committed to being customer led and member owned, providing financial security and long-term value and choice for current and future generations of members.**

With this newsletter, you will have received the notice of our AGM and I would encourage you to read it and to cast your vote for the new directors. This is easy to do online or on paper.



As in previous years, each valid vote cast will count towards a charitable donation we will be making to our charity of the year, Eden Valley Hospice and Jigsaw. I also look forward to seeing many of our members at the AGM which promises to be a very interesting evening.

Amyn Fazal, Chief Executive.





## Our brand new branch and head office



BEFORE



AFTER

The front cover of this year's 'Your new look Penrith Building Society' magazine shows our super happy team celebrating their brand new surroundings in a year that the Society's assets passed the £100m level for the first time.

The refurbishment was designed to reflect a building society that is committed to providing great service in the way that our customers tell us they would like to be dealt with. For straightforward transactions, our fast till positions are staffed by real people, not machines. There are also private interview areas where customers can discuss more complex financial matters.

Staff have been specially trained to discuss new accounts and other financial matters that customers may need help with. The new look has received much positive feedback from both customers and staff and reflects a modern feel while retaining that traditional personal touch.

Our staff will be pleased to see you, so why not drop by and have a look for yourself!

## A friendly and knowledgeable team



From what you've been telling us, we know that you love being served by friendly and knowledgeable staff. Over the last few years, we have been developing our team and organising ourselves so that we can do that better than ever.

Our mortgage team has qualified staff ready to take you through all the mortgage products we offer. We all know that buying your own home is one of the biggest decisions you will ever make. Our team has been able to help fulfil many a dream, from buying for the first time, to building your own home. It may be that you want to move for more – or less – space, or perhaps you would like help with improving your current home.

Our savings team know just how important a friendly welcome is when you visit the branch. We have been making our processes simpler so that we can spend more time talking to you while still getting the forms completed.

# WIN

An Eden Valley hamper from J & J Graham

To enter the draw for the chance to be one of two lucky winners of a J&J Graham Eden Valley hamper, which include locally sourced products from Tirril Ale to Toffee Shop Fudge, simply register your vote for the AGM. This can be done online, by post or in person at our branch. We have a host of surprises planned for this year's AGM and would be delighted to see you there.



Full prize draw terms and conditions can be found at [www.penrithbuildingsociety.co.uk](http://www.penrithbuildingsociety.co.uk)

## Date for your diary...

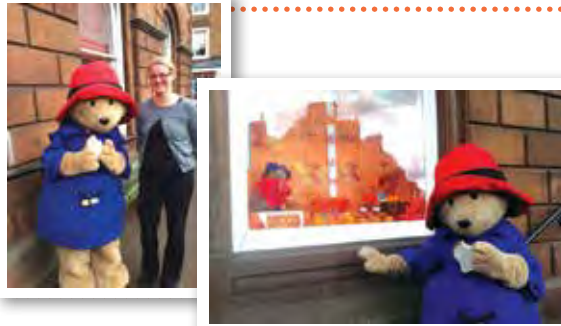
This year the AGM will take place at

6pm,  
20th April

at the  
Rheged Centre,  
Redhills,  
Penrith,  
CA11 0DQ



Early in the year we 'went orange' as part of Penrith's support for the **Dalemain Marmalade Festival**. A fabulous orange-themed window was created and we were greatly excited to welcome Paddington Bear himself to admire it.



We were pleased to present the **Pride in Penrith Lottery with the Affinity Account dividend generated by our popular Affinity Account** during 2014. The final total was £1,444 which was an impressive increase on the 2013 dividend. The Affinity Account gives our members an easy way to help the Lottery support a diverse range of organisations and projects in our area, while saving at the same time.



Early in the year another impressive donation was made when we handed over to **Eden Carers** the funds raised for them during 2014 as our **Charity of the Year**. A grand total of £1,293 was raised from a range of activities enthusiastically undertaken and supported by our staff and customers.

Our **Charity of the Year for 2015** was **Eden Valley Hospice and Jigsaw**. Again all staff pitched in to raise as much as possible throughout the year. A team undertook a **colour dash** in April which resulted in a hugely enjoyable – but extremely messy – morning running around Kendal Castle. Inspired by the experience, the team then rashly decided to enter the **No Ego Challenge** in October which involved a gruelling five mile obstacle course over fairly hazardous and muddy terrain. Bruises were in abundance! **We would like to thank all our customers for sponsoring the girls over these two events. They raised just short of £1,500, a great achievement for all.**



Over the course of the year more funds have been raised for the Hospice through events such as an **elegant Tea Party** and participating in Penrith's popular **Food and Farming Week**, when our talented staff excelled themselves with baking and making tasty treats for our customers to purchase. An amazing 'green' window was created with lifelike papier mâché cabbages.

In July we were enormously proud to discover that as a result of the Society using **AquaAid** to supply us with our water coolers, we had **raised enough money to fund an Elephant Pump to be installed in a village in Zimbabwe** which previously had no access to safe clean drinking water. It gave us great pleasure to support such a worthwhile project and we were thrilled to receive a picture of the pump in use.



In July we were again main sponsors of **Penrith Agricultural Show**. Since our mortgages aim to provide our customers with their own cosy homes, we decided to theme our marquee as one. A comfortable sofa helped to create a welcoming living room and the Pimms went down a treat on another beautiful summer's day at this hugely popular local event.

The Tour of Britain whizzed past our doorstep in September. Blink and you missed them! We were pleased to support others in our local sporting community. The Castletown U10 footballers looked very impressive in their Society sponsored shirts. Elsewhere, in Temple Sowerby our logo looked superb on the cricket team's wicket covers.



As in previous years, our staff threw themselves into the local and very successful Halloween Festival. Any excuse to dress up!

It also gave us a great opportunity to launch our new Junior Affinity Regular Saver Account supporting the Penrith and District Red Squirrel Group.

Competition winners during the year included Terence Smith, the winner of the Kindle Fire competition from last year's AGM vote. All he had to do was to return his AGM voting papers.



Another lucky winner was Arthur Jackson who received a fabulous luxury hamper by having the winning entry in a draw run by our mortgage department.

Look out for more of our competitions in 2016!

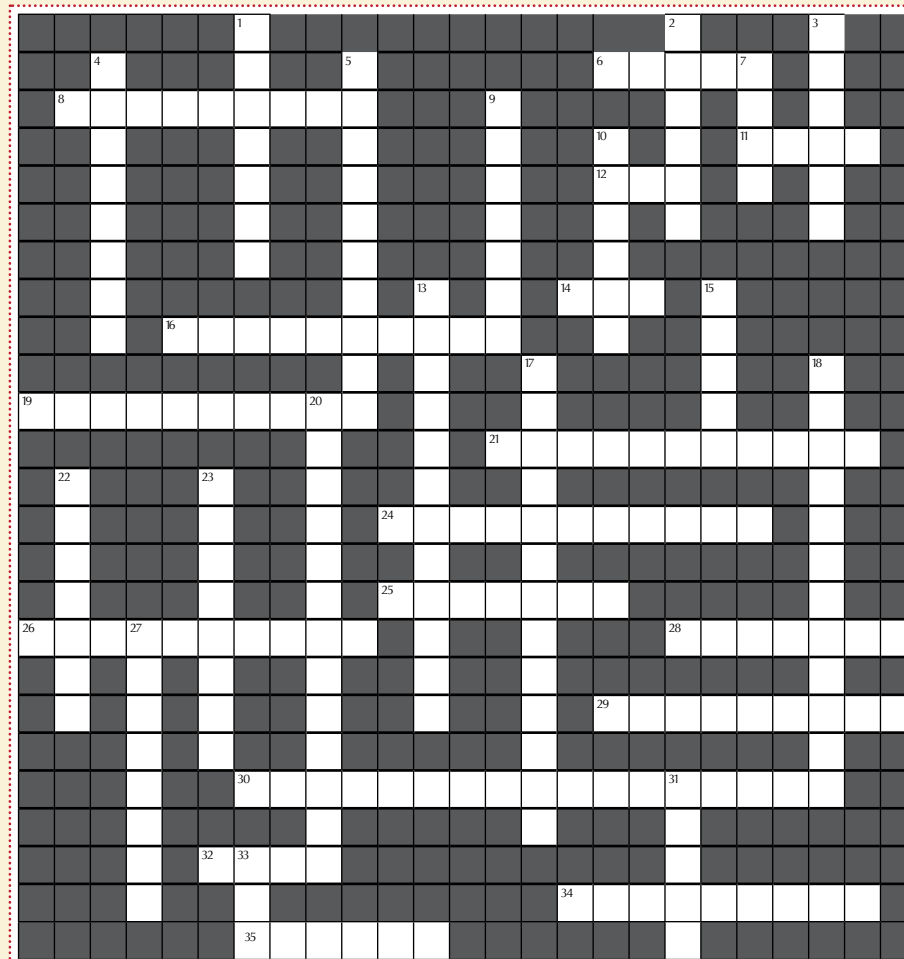
And so another year flew past. The Winter Festival lit up the town in December and we enjoyed mulled wine and mince pies with colleagues and customers before preparing for 2016 and another busy year.



## Crossword Competition 2016

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 31st May 2016. A draw will be held from the correct entries. £50 prize to be paid to a new or existing account with the Society.

**WIN!**  
£50 paid into your PBS account



### Across

- 6 Goodbye, \_\_\_\_ Silburn. Retiring after 13 years as director (5)
- 8 You'll find this in 17 down (6,3)
- 11 Aryn likes to do this (4)
- 12 139 is Penrith Building Society's \_\_\_\_ (3)
- 14 Number of years 10 down has been chairman (3)
- 16 Degree held by 10 down (10)
- 19 Where Aryn went to school (10)
- 21 Expect to get a closer look at this fabric in 18 down (6,5)
- 24 Ensemble dance performed at last year's 33 down (6,5)
- 25 Welcome to the board, Will \_\_\_\_ (7)
- 26 Janice received an award for this (10)
- 28 Became Finance Director of PBS in 2013 (7)
- 29 College we welcome back to this year's 33 down (9)

- 30 Our charity of the year (4, 6, 7)
- 32 Good luck, Louise \_\_\_\_\_. Beginning new role at 35 across (4)
- 34 Gained from a more old-fashioned approach (9)
- 35 \_\_\_\_ Vision. Our technological partner (6)

### Down

- 1 Expect to see a coat of many of these at this year's 33 down (7)
- 2 Sport enjoyed by Alan (6)
- 3 Assets at £100.08m (6)
- 4 Four legged friend of 28 across (8)
- 5 One of our main investments last year (10)
- 7 Compensation Scheme (I.I.I.I.)
- 9 Expected to grow this year, despite low inflation (7)

- 10 Rob \_\_\_\_\_. Chairman (6)
- 13 Where you get a level of personal service (5,7)
- 15 Gained from a more old-fashioned approach (5)
- 17 Vote for the Board and you might win a J & J \_\_\_\_\_. (7,6)
- 18 Venue for this year's 33 down (6,6)
- 20 The branch and head office benefited from this last year (13)
- 22 Building Society. Previous workplace of Rob and Aryn (7)
- 23 Red \_\_\_\_\_. New junior account at PBS (8)
- 27 Each Board vote cast provides one of these for 30 across (8)
- 31 Number of years 25 across spent as Cumbria's Regional Manager (5)
- 33 See you there on the 20th April (I.I.I.I.)

NAME: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_





**Aryn Fazal**  
Chief Executive

Aryn was educated at the King's School, Canterbury, and at Reading University and is a Fellow of the Chartered Institute of Bankers. He worked with Nationwide Building Society for 30 years in a wide range of roles and was also part of the general management team at Furness Building Society. He joined Penrith Building Society in 2011 and has been Chief Executive since 2013. He is a passionate supporter of mutuality and building societies. Aryn lives in the town and is married with three grown-up children. A keen walker, Aryn also enjoys music, films and cooking.



**Natalie Ruane**  
Non-Executive Director

Natalie came to Penrith having studied law at Chester College of Law and has also taught languages abroad. After graduating, Natalie spent four years working with Eversheds before joining her current firm, Burnetts, in 2003. She specialises in employment law and is also a specialist in advising schools. She is one of the very few lawyers in Cumbria to have the skills to undertake the work of the appointment of executive head teachers and the establishment of multi-academy trusts. Natalie moved to Cumbria, in part, due to her love of the fells. She lives in Penrith and enjoys orienteering, running, walking with her dog, cycling and generally being in the outdoors.



**Will Lindsay**  
Non-Executive Director

Will joined the board in 2015 having had a long and successful career in banking. His knowledge extends across all aspects of retail banking, including private and business banking. Before retiring from Clydesdale Bank he was Regional Director for London and South region 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.



**Elspeth James**  
Finance Director

Elspeth was born in Carlisle and studied at Edinburgh University where she qualified with a mathematics and statistics degree. Elspeth then gained over 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. Elspeth became the Finance Director of Penrith Building Society at the start of 2013. She lives with her partner and two Airedale terriers in Penrith and in her spare time Elspeth enjoys running and pilates as well as watching rugby.



**Geoff Silburn**  
Non-Executive Director & Chair of Conduct Risk Committee

Geoff was educated at Hull Grammar School and Manchester University and has a degree in pharmacy. Since leaving university he has worked for Joseph Cowper Ltd in Penrith. He has been a director of Penrith Building Society since 2002. He was appointed the chair of the Conduct Risk Committee in July 2012 and is a member of the Audit, Risk and Compliance Committee. Geoff enjoys gardening, photography and watching sports.



**Robert Cairns**  
Non-Executive Director & Chairman

Rob joined the Board in May 2013 having retired from Furness Building Society where he was Chief Executive for 14 years. Prior to this, he was Deputy Chief Executive at 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 a sports fan, particularly when it comes to football and cricket. He has two grown-up daughters and a number of grandchildren.



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

Janice joined the Society's board in 2014. She brings a vast knowledge of the building society sector, having spent her entire working life in various roles at Darlington Building Society where she started in back office administration and then worked in several roles in the accounts department. In 2010 she was appointed as the Finance Director of Darlington Building Society, a post she held until her recent retirement. She has been actively involved in her local community throughout her working life 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 on her various hobbies, including gardening.



**Alan Waterfield**  
Non-Executive Director & Senior Independent Director

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 the Society in 2010 and was appointed to the position of Senior Independent Director in 2013. He loves sport including cycling, hockey, rugby and cricket.

## Technology matters

We know the importance that our members place on the ease with which they are able to do business with financial services providers such as Penrith Building Society. We have to remain relevant to you and ensure that we continue to deliver the right products backed by a level of service that is second to none.

Efficiency and access are key to this, and over the last few years technology has played a huge part in that service delivery. In 2016 we intend to continue to develop our technology in a way that enhances process efficiency and our customer experience while not compromising on personal service.



Mutual Vision, our part-owned technology partner, manages the Society's IT service. Work is in progress to develop an online service for both our savings and mortgage business.

## Louise Watt – moving on but it's not goodbye

We are delighted to announce that Louise Watt, our General Manager (Operations), will be joining Mutual Vision in a full-time role from May 2016. At Mutual Vision she will continue to work on the Society's technology developments for the coming years so we are very pleased that we will still see plenty of her. Louise has spent 27 years with us and has made an invaluable contribution to the Society in that time.



Louise's knowledge of customer requirements will be hugely beneficial as we develop our key partnership with Mutual Vision.

She is ideally placed to make sure that our customers start to gain more digital experiences while at the same time not compromising on our highly personal customer offering.

We would like to send Louise our very best wishes in her new role and we also thank her for her dedication and hard work over her long and distinguished career with the Society.



## Our Annual General Meeting 2015

Members and guests who attended our 2015 AGM were treated to fabulous contemporary dance performances by students from Ullswater Community College.

First was a lyrical fused piece, 'House on the Hill', danced by Amalia Colossi. This was followed by an ensemble dance, 'Social Media', performed by Chloe Hogarth, Emily Richardson and Ella Robinson. The grand finale was a contemporary foot-stomping jazz number, 'Sing, Sing, Sing', which sent all the visitors home humming and happy. The dancers were: Ellie Briscoe, Elisha Day, Chloe Hogarth, Jodie Morrison, Lucy Parker, Emily Richardson, Ella Robinson and Anne-Marie Turnbull.

We are grateful to all the students who took part and to teachers Erin Dixon and Steven Bryant for their tremendous support. We are delighted that we will again be welcoming students from the college to this year's AGM, this time to perform songs from 'Joseph and his Technicolor Dreamcoat'.



Ullswater Community College students rehearsing before their 2016 AGM performance at Rheged on 20<sup>th</sup> April.



Photos: de la Mare Photography © 2016

The AGM on 20<sup>th</sup> April 2016 at the Rheged Centre, near Penrith, will also be an opportunity for our members to gain VIP access to an exhibition by local photographer Ian Lawson, 'Harris Tweed: From the Land', exploring the Outer Hebrides and the production of Harris Tweed cloth.



Pictured: The Chairman and Chief Executive welcome our two new non-executive directors.



## SUMMARY DIRECTORS' REPORT

The summary financial statement, on pages 16 to 21, 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](http://www.penrithbuildingsociety.co.uk), from 31<sup>st</sup> March 2016. A summary of events of the Society can be found in the Message from the Chief Executive on pages 3 to 5.

### Business Review

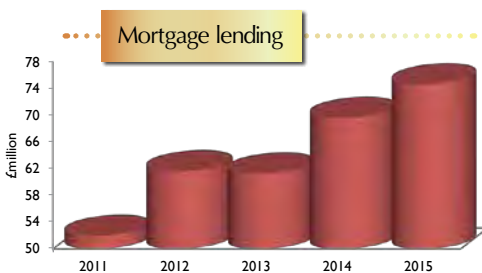
The Society uses a number of key performance indicators to measure and monitor performance. A summary of these measures over the last five years has been provided below. This is the first year the Society has presented its results under Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. Full details of the changes to accounting policies and a reconciliation are provided in the audited Annual Accounts.

### Total assets

The Society has seen growth in its total assets in the past five years to a level of £100.08m in 2015 (2014: £95.37m).

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 have been reduced to £24.38m in 2015 (2014: £24.83m), representing 24.36% (2014: 26.04%) of total assets and 27.31% (2014: 29.30%) of total shares and amounts owed to other customers.

Liquidity requirements are reviewed on an ongoing basis. Also, to meet regulatory requirements an assessment of the Society's liquidity position, policies and procedures (Individual Liquidity Systems Assessment) is carried out by management and approved by the Board annually.



(2014: £69.62m). This has been achieved on the back of continuing changes in the way regulated mortgages are sold across the financial services industry. These changes are continuing in 2016 with the introduction of the European Mortgage Credit Directive.



### Loans and advances to customers

New mortgage lending in 2015 totalled £18.12m following on from a record lending year in 2014 of £23.13m. There were 171 advances, including 24 further advances. The strategy to improve net interest income through mortgage lending growth has seen net growth on the mortgage book since 2011 exceed 44%. This is a significant increase in mortgage assets, which now stand at £74.62m

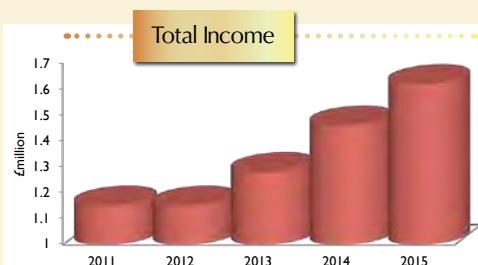
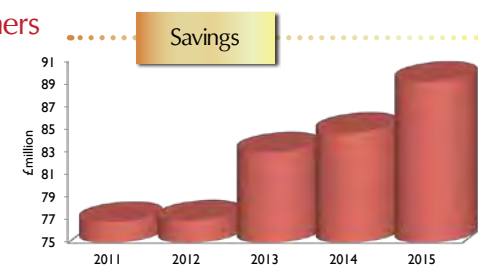
At 31<sup>st</sup> December 2015 there was one mortgage (2014: three) where the repayment of principal and interest was twelve or more months in arrears. The total amount of arrears on this case was £9,801 (2014: £20,332) on balances totalling £176,376 (2014: £231,512). The case has a low loan to value ratio, hence no individual provision is held against the loan. This has confirmed a continuing trend of declining arrears cases over the last five years in the current low interest rate environment. The Society had four properties in possession (2014: four) at the end of 2015.

The Society will continue to take all necessary action to minimise loss and to ensure that the provisions of the lending policy are monitored so that due account may be taken of prevailing economic conditions.

### Shares and amounts owed to other customers

Shares and amounts owed to other customers have grown by 5.32% to a total of £89.27m at the year-end (2014: £84.76m). As with mortgages, this has been a strategic decision to grow in the core areas of the business over recent years and since 2011 this growth has been over 15%.

The Society continues to make changes to its product range to ensure that the products on offer are meeting customer needs. Rate changes were also made to some accounts in accordance with business requirements. Regular Saver products and the periodic Bonds continue to bring in both new monies and customers to the Society. Further new product launches to refresh the range are planned for 2016, in the ISA range in particular, for the benefit of both existing and new customers.



### Profit for the year

The Society made a profit for the year after taxation of £165,404 and so continues to strengthen its financial position (2014: £118,929). Continued positive mortgage activity has contributed to the improvement in total income to £1.62m (2014: £1.46m). The Society has continued to keep fees for mortgage products at

a low level and in many cases will pay fees on behalf of customers. In addition, introducer fees are paid to brokers through which the Society sources mortgage business. However, the operating profit before provisions has still grown to £248,896 (2014: £228,877).

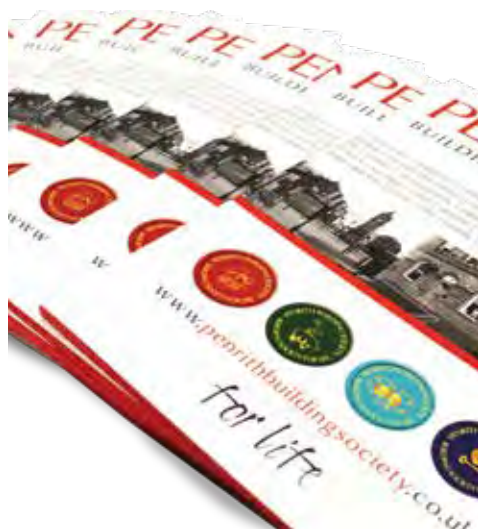
The overall level of both individual and collective provisions has increased slightly to £303,200 (2014: £296,474). The performance of the mortgage back book continues to be good in the low interest rate environment, with arrears being managed through arrangements with the affected borrowers being put in place. 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 charge in 2015 decreased to £54,898 (2014: £66,731).

## Management expenses

Management expenses including depreciation were £1.37m (2014: £1.23m), an increase of 11.10%. The cost income ratio has also increased slightly to 84.68% by the end of 2015 (2014: 84.34%). Management expenses expressed as a ratio of mean total assets is 1.41% (2014: 1.30%).



The rise in the cost base has been attributed to further investment in people and the Society's office in King Street. This has seen a full refurbishment of the branch area as a response to customer feedback in terms of the preferred way to interact with our staff. New recruits in this team have helped to shape our customer interactions. The Society continues to invest in technology and on-going projects started in 2015 will allow mortgage applications to be made on-line with on-line savings access to take place by the end of 2016.



## Capital

At 31<sup>st</sup> December 2015, the Society's capital has increased to £10.66m (2014: £10.50m). 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.

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 11.72% of total shares and amounts owed to other customers (2014: 12.22%).

Gross capital amounted to 11.94% of total shares and amounts owed to other customers (2014: 12.38%). Our free and gross capital ratios continue to be amongst the highest in the sector.

Risk assessment is carried out on an ongoing basis. To meet regulatory requirements, an Internal Capital Adequacy Assessment Process is carried out and approved by the Board annually.

Details of the Society's Basel II disclosures for Pillar 3 are available on the website,

[www.penrithbuildingsociety.co.uk](http://www.penrithbuildingsociety.co.uk)



## Principal risks and uncertainties

The Society maintains a policy of low exposure to risk so as to maintain public 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.

## DIRECTORS

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

### Non-Executive Directors

**R J Cairns**, Chairman

**G Silburn**, Vice Chairman

**A G Waterfield**, Senior Independent Director

**D Driver** (Retired 29th April 2015)

**J Lincoln**

**W R C Lindsay** (Appointed 1st June 2015)

**N Ruane** (Appointed 1st June 2015)

### Executive Directors

**A S Fazal**, Chief Executive

**E L James**, Finance Director

Mr Lindsay and Mrs Ruane, having been appointed to the Board in 2015, are eligible for election in accordance with Rule 25(5) and offer themselves for election. Mr Silburn will retire from the Board at the AGM on 20th April 2016.

During the 12 months ended 31st December 2015, Mr Fazal has been a non-executive director to 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.



## Members

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



## 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.

## Donations

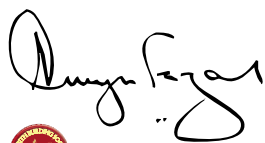
During the year charitable donations totalling £7,637 (2014: £6,832) were made. No contributions were made for political purposes.

Approved and signed on behalf of the Board

**A S Fazal**

(Director & Chief Executive)

10th March 2016




## SUMMARY FINANCIAL STATEMENT

For the year ended 31st December 2015

<b>RESULTS FOR THE YEAR</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Net Interest Receivable	1,553,390	1,438,239
Other Income and Charges	70,977	23,186
Administrative Expenses	(1,375,471)	(1,232,548)
Provisions	(48,172)	(80,123)
Profit for the Year before Taxation	200,724	148,754
Taxation	(35,320)	(29,825)
<b>Profit for the Year</b>	<b>165,404</b>	<b>118,929</b>

<b>FINANCIAL POSITION AT END OF YEAR</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>ASSETS</b>		
Liquid Assets	24,382,454	24,834,907
Mortgages	74,619,931	69,617,187
Fixed and Other Assets	1,073,716	921,679
<b>Total Assets</b>	<b>100,076,101</b>	<b>95,373,773</b>

<b>LIABILITIES</b>		
Shares	87,792,071	83,216,313
Amounts Owed to Other Customers	1,474,355	1,539,655
Other Liabilities	148,247	121,781
Reserves	10,661,428	10,496,024
<b>Total Liabilities</b>	<b>100,076,101</b>	<b>95,373,773</b>

Approved by the Board of Directors on 10th March 2016  
and signed on its behalf by:  
**R J Cairns (Chairman)**  
**J Lincoln (Director)**  
**A S Fazal (Director & Chief Executive)**

## SUMMARY OF KEY FINANCIAL RATIOS

	<b>2015</b>	<b>2014</b>
Gross capital as a percentage of shares and amounts owed to other customers (Note 1)	11.94%	12.38%
Liquid assets as a percentage of shares and amounts owed to other customers (Note 2)	27.31%	29.30%
Profit for the year as a percentage of mean total assets (Note 3)	0.17%	0.13%
Management expenses as a percentage of mean total assets (Note 4)	1.41%	1.30%

## 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 amounts owed to other customers. 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 amounts owed to other customers. 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 investors.

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.

## INDEPENDENT AUDITOR'S STATEMENT TO MEMBERS & DEPOSITORS OF PENRITH BUILDING SOCIETY

We have examined the summary financial statement of Penrith Building Society ('the Society') for the year ended 31<sup>st</sup> December 2015 on pages 16 to 21.

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 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 Annual Accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31st December 2015, 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 Annual Accounts, 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 Annual Accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31st December 2015.

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 Annual Accounts describes the basis of our opinions on those Annual Accounts, 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 Annual Accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31st December 2015 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

## Richard Gabbertas

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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



## 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 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.

Executive Directors' remuneration comprises basic salary and pension benefits. The Society does not have bonus or share option schemes. Their salaries are considered by the Remuneration Committee which meets at least once 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 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, the Chairman of the Conduct Risk Committee and Chairman of the Nominations Committee receive higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on those positions.

## Details of Remuneration

<b>Fees for services as Non-Executive Directors</b>	<b>2015 £</b>	<b>2014 £</b>
R J Cairns ( <i>Appointed as chairman on 1st October 2014</i> )	18,000	11,362
D Driver ( <i>Retired 30th April 2015</i> )	4,833	12,022
J S Hollins-Gibson ( <i>Retired 30th Sept 2014</i> )	-	11,601
J Lincoln ( <i>Appointed 1st October 2014</i> )	13,833	2,498
W R C Lindsay ( <i>Appointed 1st June 2015</i> )	7,292	-
N Ruane ( <i>Appointed 1st June 2015</i> )	7,292	-
G Silburn	14,500	12,022
A G Waterfield	14,500	9,994

<b>TOTAL FOR NON-EXECUTIVE DIRECTORS</b>	<b>80,250</b>	<b>59,499</b>
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<b>For services as Executive Directors</b>	<b>2015 £</b>	<b>2014 £</b>
A S Fazal Salary	108,150	105,000
Pension Contributions	10,815	10,500
	<b>118,965</b>	<b>115,500</b>
E L James Salary	76,075	73,500
Pension Contributions	7,608	7,350
	<b>83,683</b>	<b>80,850</b>

<b>TOTAL FOR EXECUTIVE DIRECTORS</b>	<b>202,648</b>	<b>196,350</b>
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<b>GRAND TOTAL</b>	<b>282,898</b>	<b>255,849</b>
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Approved and signed on behalf of the  
Remuneration Committee  
R J Cairns (Board Chairman)  
10th March 2016



# PENRITH



BUILDING SOCIETY | *for life*

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

Tel: 01768 863675



## Directors

R J Cairns (Chairman),  
G Silburn, A G Waterfield,  
J Lincoln, W R C Lindsay,  
N Ruane, A S Fazal,  
E L James.

## Solicitors

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

## Auditor

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

**Bankers:** NatWest Bank Plc

**Chief Executive:** A S Fazal

**Finance Director:** E L James

**Secretary:** S J Askew



[www.penrithbuildingsociety.co.uk](http://www.penrithbuildingsociety.co.uk)

*for life*