



# Penrith

building society

*Listening and Supporting, Since 1877*



## 2019

### Our year in review

Annual Review and  
Summary Financial Statement

**WIN**

**£50 into your  
PBS Account**

See page 12 for details

# Contents

Page 2	Message from our Chairman
Page 3	Chief Executive's Report for the year ended 31 Dec 2019
Page 5	Savings Focus
Page 6	News in brief
Page 8	Staff News
Page 10	Community round-up
Page 12	Prize Crossword
Page 14	Business Review
Page 20	Summary Financial Statement
Page 21	Summary Key Financial Ratios
Page 21	Directors' Remuneration Report
Page 23	Independent Auditor's Statement to the Members and Depositors of Penrith Building Society



## Message from our Chairman, Rob Cairns

### Welcome

A very warm welcome to our Annual Review of 2019. I am pleased to announce that your Society has achieved a number of new records but I will leave the Chief Executive to tell you about them in his message. I would like to pass my thanks and congratulations to our whole team of hardworking staff for all their efforts and without whom we would not have achieved such an impressive set of results.

At our **Annual General Meeting (AGM)**, which this year will be held at **The George Hotel in Penrith on Wednesday 22 April 2020**, we will regrettably be saying goodbye to two of our Directors. Firstly, Rich Vecqueray, who ran a local veterinary business and joined our Board in 2017. Secondly, we say farewell to our longest-serving Director, Alan Waterfield, who has served for over nine years as a Director at the Society. Alan has fulfilled the roles of Vice Chairman, Chairman of both the Nominations and Remuneration Committees and Senior Independent Director. They will be missed for their wise counsel at our Board Meetings and we wish them luck in their future endeavours.

You will note that all the remaining members of the Board are standing for re-election at the AGM. This is a change from how the Society has managed Director nominations in the past and is a result of the Board of Directors agreeing that the Society will pay due regard to the recommendations of the UK Corporate Governance Code. Moving forward, all Directors will stand for annual re-election. Both myself as your Chairman and the Board strongly recommend that members vote for all Directors who are standing for re-election.

Finally, allow me to thank you for your continuing support of Penrith Building Society which is gratefully appreciated and I hope to see you at the AGM.

Yours sincerely,

**Robert J Cairns** (Chairman)  
6 March 2020



## Report from our Chief Executive, Tim Bowen

FOR THE YEAR ENDED  
31 DECEMBER 2019



## Dear Member,

Having completed my second year as Chief Executive of your Building Society, it is my privilege to report that 2019 was a year that broke many records, supported by loyalty from our membership and a team of colleagues that really did go that extra mile for you as well as the business itself.

### A year of significant growth and progress

Penrith Building Society remains a great business and continues to stay true to its heritage. I hope you will remember that a year ago, I advised you that where 2018 was the year in which we changed our objectives, distribution model and strategy, 2019 was going to be the year that the Society delivered. The team and I are pleased to report that this is exactly what we did, exceeding our expectations in many areas in market conditions that continued to prove very challenging. Our great value products in conjunction with our high level of service led to significant growth in both savings balances and mortgage lending. Our excellent team of staff in every area of the business really did step up to the mark to deliver an extremely robust set of financial results. These results saw profit increase year on year by 5.27% to £169,674 and total assets growing by 5.38% to £113.4 million, predominantly driven by an exceptional performance in mortgage lending.

As a result of our significant lending performance, we reduced liquidity ratios to a more optimal operating level. In addition, where the competitive nature of the market has seen margins on both sides of the balance sheet come under increasing pressure, the Society saw its net interest margin for 2019 increase by four basis points to 1.81%, which is again testament to the strategy we have adopted and achieved.

### Economic and Political Outlook

Regarding the market conditions that we operate in, economic and political uncertainty coupled with the emergence of a steady stream of new entrants to the marketplace meant that conditions remained challenging. This is fast becoming the norm and I am proud of the efforts of my colleagues in ensuring that we have successfully navigated these challenges and continue to thrive. In addition, the Board and I remain absolutely confident and committed to our strategy, however, it would be remiss of us not to constantly monitor and review our position in areas of the market that we both want to, and can, compete in without moving outside of risk appetite.

With the UK having withdrawn from the European Union on 31 January 2020, we do now gain a sense of clarity in the direction our Country will take, but, we must also consider that this is only the first stage and that the Government has now given itself firm red lines regarding the date of exit. We expect this to continue to provide uncertainty throughout 2020 until the specifics of negotiated trade deals become clearer, but again remain confident in our chosen strategy. Regarding interest rates, at this point we don't expect a movement during 2020, but this will be balanced against the economic outlook and our focus remains on maintaining a balanced business that offers best value to our loyal membership whilst ensuring we remain sustainable.



## Record breaking mortgage performance

Mortgage lending remains critical to our success and long-term sustainability, so it is particularly pleasing to report that this year we have achieved extraordinary levels of lending helping more members with their borrowing needs than we have before which has resulted in the Society's mortgage assets growing by 12.98% to £90.74 million. This represented our best gross lending performance with the Society completing £26.53 million of new mortgage lending.

## Savings growth

Where our lending proposition gained excellent traction in 2019, so did the need for a balanced level of funding. It is pleasing to report that savings balances increased by £5.6 million to £101.4 million. Our mutual ethos and commitment to be fair to both our saving and borrowing members also meant that our weighted average rate across our savings range over the year increased by three basis points to 1.18%.

When considering the savings market, the Society predicts further competition for funding during 2020 as financial institutions continue to pay down their drawings from the Term Funding Scheme and the Funding for Lending Scheme. The Society remains confident however, that we will be able to gain our required share of the market through competitive pricing.

## Member engagement

I am also able to report a stable year in our membership base which continues to show a real vote of confidence in the Society. With the Help to Buy ISA Scheme closing at the end of November 2019, we were very pleased with the number of new members that we attracted due to our offering and the strength of the rate we made available. This was an excellent Scheme and we hope to be able to help these saving members gain a foot on the property ladder as they progress through their life. We remain completely committed to the community that we serve in Penrith and the Eden Valley as well as our many members that live in all corners of the United Kingdom.

Meeting the unique needs of borrowers in our heartland and beyond as well as supporting those members that are underserved by the mainstream lenders continues to stand us in good stead. Our individual approach to underwriting continues to allow us to also support the borrowing needs of our members both existing and new as well as specific demographics such as later life borrowers and UK citizens who are making their living in different areas of the globe.

## Supporting our Community

Our social purpose as a mutually owned organisation is something that continues to drive our culture and is at the heart of everything we do. In 2019 we supported many local charities and causes in Penrith and around the Eden Valley. We continued to support the financial education of the younger generation of Penrith in conjunction with Queen Elizabeth Grammar School and Ullswater Community College (UCC) and remain committed to this going forward.

Our Affinity Accounts supported Pride in Penrith Lottery, Eden Valley Hospice & Jigsaw, Penrith RUFC Juniors and the Penrith & District Red Squirrel Group. In 2019, we also proudly introduced another affinity partner which gives our members the opportunity to support another charity close to our hearts, Annie Mawson's Sunbeams Music Trust.

## Future Outlook

Our progress in 2019, both commercially and strategically, means we remain optimistic as we look to the future. As stated previously, the Board and I are strongly committed to the Society having a successful and sustainable future as an independent, vibrant Building Society mutually owned by you, our loyal members. The Society has an extremely experienced, capable and talented Board and Executive Team that 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.


As we enter 2020, we have stronger financial foundations in the Society and we remain committed to our strategic objectives and direction and are confident in achieving them.

Our Society exists because of the commitment and dedication of our staff and the ongoing loyalty and support of our members. I would like to thank you all for helping make 2019 such a rewarding year and I look excitedly to continued success in 2020.



**Timothy J Bowen** (Chief Executive)  
6 March 2020

# Focus on... Affinity Accounts



An Affinity Account gives something back to the community without costing you a penny! As a mutual Society we pride ourselves on looking after our members, but we are also committed to supporting charities and good causes that in turn, improve the lives of those in the local area.

Penrith Building Society will make a cash payment each year to our charitable partners based on the average total balance held in all the Affinity Accounts linked to that charity.

Read on to find out about the Affinity partners that benefit from this, whether you are an adult or a child saver.

## Adult Savers



**Pride in Penrith Lottery** run a weekly draw and all profits (after expenses) are given to local good causes. They exist to help the organisations that make our community a great place to live and work. The affinity dividend gives PIP additional scope to give these grants to local events and initiatives.

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

### Eden Valley Hospice



**Eden Valley Hospice** provides care for adults with life limiting illnesses from North Cumbria, providing a home from home environment and relaxing atmosphere for families. **Jigsaw** provides day to day care, support and activities to children and younger people living with a life limiting illness.

[www.edenvalleyhospice.org](http://www.edenvalleyhospice.org)  
[www.jigsawhospice.org](http://www.jigsawhospice.org)



**Sunbeams Music Trust** is a Community Music Therapy Charity in Cumbria for people of all ages with disabilities. Founded in 1992 by Cumbrian born harpist and singer Annie Mawson MBE MRSM. The Trust relies upon donations, fundraising and grants to sustain their work and provide services free of charge.

[www.sunbeamsmusic.org](http://www.sunbeamsmusic.org)

## Child Savers



**Penrith and District Red Squirrel Group** was founded in 1994 by local people concerned about maintaining our

native population of Red Squirrels. Our Junior Affinity Account helps towards the conservation effort.

[www.penrithredsquirrels.org.uk](http://www.penrithredsquirrels.org.uk)



**Penrith RUFC Juniors** is a thriving club with successful teams across the whole age spectrum. The team managers and coaches are highly

motivated in encouraging young players and through this Affinity Account you can help them maintain that commitment.

[www.pitchero.com/clubs/penrithruffc](http://www.pitchero.com/clubs/penrithruffc)

## Calvin Griffiths

In late 2018, I received a letter from a gentleman called Chris Griffiths. In his letter Chris talked about his son Calvin, who has Down Syndrome and receives benefits. Chris was struggling to help his son find a mortgage lender who would provide Calvin with a mortgage. Calvin desperately wanted his own independence and Chris explained their search had seen them turned down by over 100 lenders.

After reading the letter the mortgage team challenged themselves to make this happen for Calvin – recognising our duty to help but also conscious of the need to lend responsibly.

I'm pleased to say it was a challenge we were able to rise to, and earlier this year I was lucky enough to visit Calvin in his new house, spending a wonderful afternoon with him and his father Chris. Calvin gave me the grand tour of his new home, proudly showing off his large collection of books all about dogs. To say it was a humbling experience would be an understatement.



It is testament to the Society's passion for social purpose and financial inclusion that led to us helping Calvin and it is something that we are all very proud of. By choosing to take a view on the funding of the mortgage, whilst remaining within our risk appetite, we were able to help where countless others were unable or unwilling to.

From your perspective, as a member, it is your savings that have also helped him achieve his independence and we thank you for that. This is what makes a mutual different and I know it is something we all will continue to stand for.

## Going Green

We all have a responsibility to consider our impact on the environment. We continue to advocate printing less, with all our literature available online and we will shortly be implementing a paperless mortgage application process.

As a Society we took the decision to only provide mortgages on properties with an Energy Performance Certificate rating of D or above, rather than the industry-required E or above. We will continue to challenge ourselves to design products that are more environmentally friendly.

Across the building industry greater consideration is being given to environmentally friendly methods of construction. Bamboo, cork and hay bales are all being tipped as green methods of construction that may become more commonplace in the future.

High street and specialist lenders are introducing more green mortgages. Our self-build mortgages present an opportunity for us to be one of the trailblazers when it comes to providing products that have tangible incentives to building energy efficient homes.

## Mortgage Activity

2019 was a remarkable year for our mortgage team. The broadening of our mortgage intermediary distribution saw over 100 different brokers place an application with the Society, resulting in us lending over £26 million to help people buy their first house, move home or invest in property. We can now proudly boast that we deal with selected intermediaries across the UK and lend in England, Wales and mainland Scotland, meaning we now have a reach which exceeds that of some larger societies and lenders.



To help service this increased demand for our excellent products, we have continued to invest in people. We appointed our first permanent Business Development Manager to help promote and grow the brand. A new Head of Mortgages has overseen positive changes to our processing, putting into practice one of our core values – to be as straightforward as possible.

It wasn't just the intermediary space that we invested in. 2019 also saw an industry-first, with the launch of **Cumbria Mortgage Centre Limited (CMC)**, a wholly owned subsidiary of the Society and an appointed representative of Mortgage Advice Bureau (MAB). The efficiencies of this relationship mean our time can be better spent advising on mortgages, with MAB overseeing compliance and assisting with learning and development.

## Feedback

Feedback is essential when considering one of our core values – **to stay relevant**. We believe we are providing a good service and product range but we wanted to put this to the test.

We asked members and brokers to provide their honest opinions of their interactions with the Society and below is a selection of their responses.

*"The great thing about Penrith, which cannot be said for all lenders, is that **they stick to their word when they make a promise.**"*

*"We had a complicated set of mortgage requirements involving split ownership and multiple properties to consider. Other cookie-cutter mortgage providers weren't interested in our non-standard situation. The mortgage team at Penrith Building Society had ideas for helping us over the various hurdles and helped us along the process all the way. **Very friendly staff, easily available when things cropped up** or when we needed to clarify points on the journey. **Highly recommended.**"*

*"Penrith Building Society can be proud of their staff who are **down to earth, helpful and honest.** When a call back is promised it is duly delivered and I have got to know the team well over the last year or so and all have delivered a similar, high level of service."*

*"**Top marks for customer service.** Lovely, personable mortgage team. In an ideal world, every bank and building society should take a leaf out of Penrith's book."*

*"They were **very professional and helpful.** They provided us with all the help we required and made the process as pleasant as possible. Any requests we made were dealt with in a very timely and helpful manner."*





# Staff news



The  
**Better Health**  
at Work Award  
Bronze Award

## BHAWA Award Winners

One of our ongoing staff campaigns during 2019 was promoting Better Health at Work, and all the staff threw themselves into it, resulting in us gaining our Bronze Award.

Clare, Matthew, Freya and James have all been trained as health advocates and have been responsible for the delivery of the award within the Society. As we pass and progress through the levels we hope to use our knowledge and skills to aid the wider community.

A Bike Challenge was undertaken in the office as part of the BHAWA campaign with proceeds going to Annie Mawson's Sunbeams Music Trust.



Gwenneth & Mike

## Wedding Bells

In other exciting news we had two weddings this year. Congratulations!



Tim, Paula & Matilda



**2019 was a milestone year for two of our staff members! Both Barbara and Christine have worked for us for 40 years, we were very happy to celebrate with them.**



**James Custance**  
Head of  
Mortgages

James has been leading our Mortgage Team since March 2019 after spending the majority of his working life in financial services. James has previously filled a range of roles from Bank Manager, to Credit Risk Analyst to working in Corporate Pensions. James has a vast amount of knowledge, with lots of experience leading large teams across multi-sites and overseeing key projects. Prior to Banking, James started his career working for a small independent Chartered Accountants in the North East.

Outside of work James enjoys spending time with his family, his daughter insists he spends his weekends entertaining her at the soft play centre. Like Ed, James is a Newcastle United fan, and tries to go to as many matches as possible.



**Ed Appleby**  
Business  
Development  
Manager

Ed joined us in January as our new Business Development Manager. Previously Ed worked at a bank in a development capacity and worked closely with their compliance team, dealing with broker oversight and panel management. Prior to that he worked as a mortgage advisor for a major high street bank and brings with him a wealth of experience in the financial sector.

Outside of work Ed enjoys running and is looking forward to completing his second half marathon later this year. He is an avid football fan and is a lifelong Newcastle United supporter.



**Lucy Hodgson**  
Finance &  
Business  
Services  
Assistant

Lucy will be a familiar face to many of you already. She originally came to us on a work experience placement from UCC in July 2018, she then worked for us on Saturday mornings whilst completing her A-Levels. We were extremely happy during 2019 to welcome her to her new full time role working in our busy Finance and Business Services departments.

Lucy is yet another of our young members of staff who are developing their careers with us. As a local Society we are very proud to encourage and support the young people of our area in this way.



# Community round up for 2019

Our staff are always enthusiastic in supporting our local community, and 2019 was no exception. Their commitment and passion for volunteering and raising money shone through again throughout the year.

Catch up with our latest thoughts and news on  



## Penrith Show Sponsors

2019 saw us setting up our tent at **Penrith Show** as Main Sponsors. We needed our boots on, but we all had a fantastic day! It's a great way to meet people and show them what Penrith and the Eden Valley is all about.

## Cash 4 Kids Mission Christmas

Following the success of our Cash 4 Kids collection in 2018 we again collected gifts for **CFM's annual Cash for Kids Mission Christmas** appeal. We would like to thank all our members who donated gifts to this wonderful cause.



## Eden Valley Hospice

In May Michelle, Fiona and Freya tackled the Carlisle Colour Run to raise funds for **Eden Valley Hospice**. We think they wore those rainbow colours well, and were very proud that they raised £150 for EVH.



## Baking

With so many fantastic bakers here at the Society we took every opportunity to put them to work! This included a Cupcake Day for the **Alzheimer's Society**, and some extremely delicious cakes for the **Macmillan Coffee Morning**.



## Sunbeams

**Annie Mawson's Sunbeams Music Trust** is an organisation that the Society continues to be pleased to support.

In 2019 they were the recipient of a £606 donation generated by the AGM votes cast by our members and we also sent our Chief Executive Tim along with some of our other Directors to do some painting. It looks like they had a great day helping.

## Volunteering

During 2019 the Society was again keen for staff members to volunteer out in the Community, **Riding for the Disabled** and **Annie Mawson's Sunbeams Music Trust** being the main organisations we helped. During 2020 we will continue to encourage our staff members to volunteer with various Charities and organisations.



## Lazonby First Responders

Following on from our training with **LFR** in 2018, Clare visited them to find out how they were getting on with the new equipment sponsored by the Society. In terms of training people in giving lifesaving CPR, this new model will prove invaluable. Clare was even given some 'hands on' training by Elaine.



## Competition Winner

**Nancy Pickthall** was the lucky winner of the £100 M&S Vouchers in our 2019 AGM vote draw. For your chance to win this year please see the back cover for details!

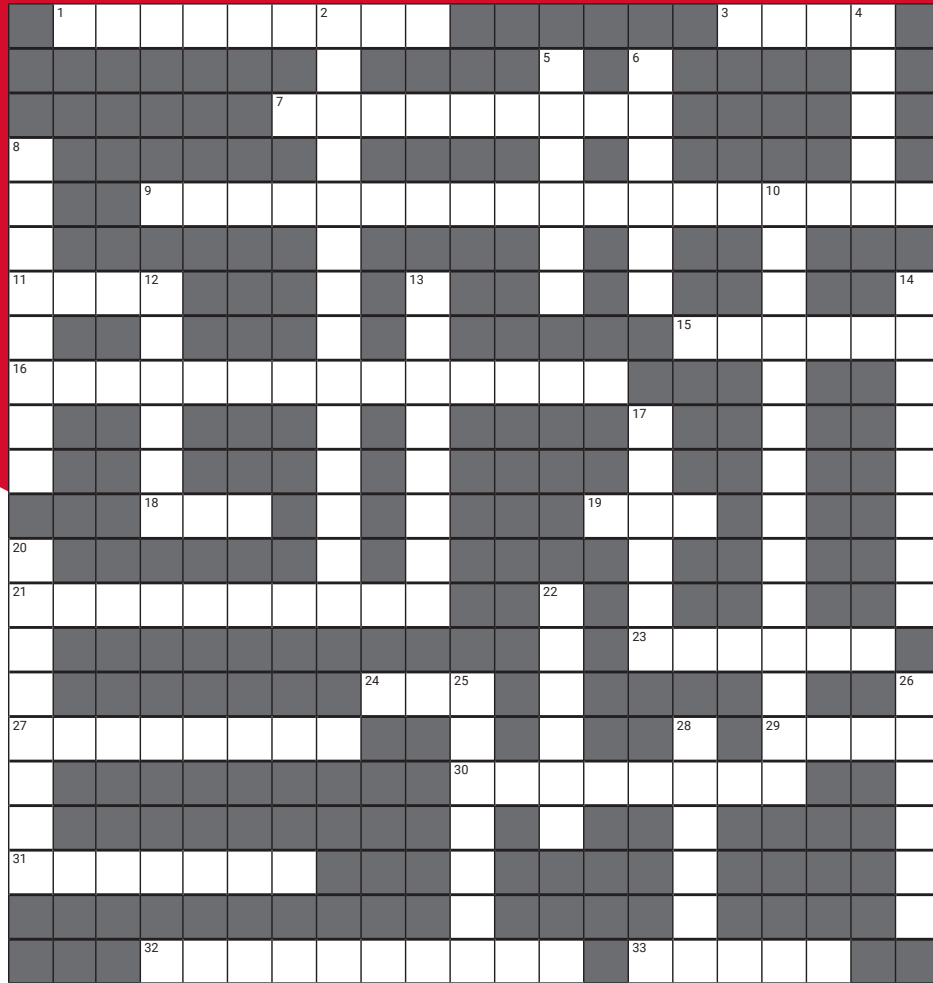


## A huge well done to all our Affinity Account savers!

This year you raised a total of £3,369 for **Pride in Penrith Lottery, Eden Valley Hospice & Jigsaw**, and **Annie Mawson's Sunbeams Music Trust**. Our Junior Affinity Savers raised a total of £516 for the **Penrith and District Red Squirrel Group** and **Penrith RUFC Juniors**. Affinity Accounts are a great way to save whilst helping your nominated charity, see page 5 for details.

# The Crossword Competition 2020

For your chance to win £50 paid into your Penrith Building Society account, simply complete the crossword below and return these two pages to us. We will select one lucky winner from all the correct entries. Good luck!



## Keeping you up to date about products and services

The Society would occasionally like to provide you with details of products, services and other promotions which may be of interest to you. If you are happy for us to contact you in this way please tick the box below. The Society has published on its website, [www.penrithbs.co.uk](http://www.penrithbs.co.uk) a new Privacy Notice to make it easier for you to understand how we use and protect your information, in line with the General Data Protection Regulation. Please note that consent can be withdrawn at any time, by contacting the Society at [enquiries@penrithbs.co.uk](mailto:enquiries@penrithbs.co.uk), by phoning us on 01768 863675, or telling us in person in branch.

I agree to my information being used for marketing purposes if this box is ticked ☐

## The Crossword Clues

### Across

1. Team supported by two of our newest staff (9)
3. Type of capital ratio: Core \_\_\_\_ 1 (4)
7. This rate was above 68% in 2019 (9)
9. Our latest affinity partner (8,5,5)
11. The books loved by Calvin (4)
15. Colour of our Better Health at Work award (6)
16. One of the retiring directors (4,10)
18. The colour of the squirrels we support (3)
19. The abbreviation for the meeting in 2 down (3)
21. Our community, Penrith and the \_\_\_\_, \_\_\_\_ (4,6)
23. How often Pride In Penrith Lottery do their draw (6)
24. The school attended by Lucy Hodgson (1,1,1)
27. Most of our mortgage products are this type of rate (8)
29. Number of years served by 16 across (4)
30. What our directors did at 9 across (8)
31. One of our online presences (7)
32. What we are doing by printing less (5,5)
33. One of our main risks (5)

### Down

2. This year's venue for the annual general meeting (3,6,5)
4. True to our \_\_\_\_, within our value of 20 down (5)
5. \_\_\_\_ Assets, another name for cash and treasury investments (6)
6. One of the ways you can vote (6)
8. Essential to stay relevant (8)
10. What this year has been for mortgages (6,8)
12. Type of independent director Will Lindsay is (6)
13. The account type that gives back to the community (8)
14. We celebrated two this year (8)
17. What is the local hospice for children and younger people called (6)
20. One of our five values (8)
22. A key ratio for the Society, Net Interest \_\_\_\_ (6)
25. The day we had for the Alzheimer's Society (7)
26. Who the Chief Executive addressed his letter to, Dear \_\_\_\_ (6)
28. Combine the milestone years reached by our two staff members (6)

NAME: .....

ADDRESS: .....

EMAIL: .....

**Terms and conditions:** Please hand in or post your entry to Penrith Building Society, 7 King Street, Penrith, Cumbria CA11 7AR. **Entry is for members only.** Only one entry per person. Closing date is 31 May 2020. A draw will be held from the correct entries. £50 prize to be paid to a new or existing account with the Society.

**We are always interested to hear your opinions and we would love you to answer the following:**

- Do you feel like the Society has a recognisable brand?
- Do you regard the Society as traditional, modern or both?
- Do you feel like the Society is easily accessible to you as a member?
- Do you find our staff knowledgeable and friendly?
- Are you aware of our online presence i.e. Website/Twitter/Facebook?

**The 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*

We will be easy to transact with and will always look for ways to make things more straightforward for our members.

*Mutual*

Our members are at the heart of everything we do. We will continue to enhance the benefits of mutuality and will never lose sight of our purpose.

*Aspiring*

We will be there to support our members and our staff to achieve what they aspire to, for themselves and their families throughout their lifetime.

*Relevant*

We will always look for ways to ensure we stay relevant whilst remaining true to our roots.

*Trustworthy*

We are transparent, honest and fair in our dealings with our members, so they can have the utmost trust and confidence in us as an organisation.

In working towards the achievement of our vision, our long-term strategy is to grow in a controlled manner.

## The Board and Executive:

- Remain confident that we have and will continue to successfully identify areas of the mortgage market that we can continue to both be competitive in and wish to compete in and continue to leverage our intermediary relationships.
- Are committed to continuing as an independent, profitable and operationally resilient mutual, whilst continuing to fulfil the social aspect of our purpose.
- Will maximise the value of the Society's brands, by engaging with and supporting the financial education of our membership and the community we serve.
- Continue to invest in improving our people, processes, systems and controls.
- Are in agreement about the requirement to identify and invest in the right option regarding the working environment for the Society, to promote growth, efficiency, member experience and staff wellbeing.
- Continue to identify the right strategic partners, to maximise value in all areas of the business.

Achieving the above will allow the Society, over a longer-term horizon, to be able to generate stronger returns, withstand financial stress and operate credibly and competitively in the financial services environment.

In 2019 the Society became a Group when CMC began trading. As the operations of the Group are aligned to those of the Society, being the provision of mortgage finance, savings products and related services, all references to Society include the consolidated Group.

## Key Performance Indicators

The Board uses a number of key performance indicators to measure and monitor the performance and position of the Society on an ongoing basis. A summary of these measures over the last five years has been explained further on the following pages.



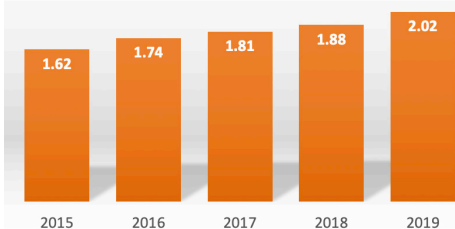
## Income and Expenditure

The Society made a profit for the year after taxation of £169,674 (2018: 161,183).

Total income is £2.02 million, compared to £1.88 million in 2018. The net interest margin widened following a repricing of mortgage products mid-year to better reflect the market and the risks associated with a bespoke underwriting approach. This helped income targets to be met against a challenging mortgage environment.

The Society continues to monitor fees for mortgage products, keeping these as low as possible and pays fees on certain products on behalf of borrowers. Introducer fees are paid to intermediaries, through which the Society continues to source a significant amount of new lending.

Total income (£m)



## Management Expenses

Management expenses including depreciation are £1.80 million (2018: £1.69 million), an increase of 6.62%. The cost income ratio is now 89.34% (2018: 89.75%). Management expenses expressed as a ratio of mean total assets are 1.63% (2018: 1.57%).

The most significant investment continued to be made in our people and technology to support the future sustainability of the Society and, to improve the experience of members as they interact with the Society.

Investment was also made in the distribution channels for the Society, following the appointment of a Business Development Manager at the start of the year. This led to further enhancement of the intermediary relationships. The decision was taken to create a subsidiary company through which the Society could run its direct mortgage business, with the risks associated with the advice process being managed by a third party and the reward being seen through a share of the procurement fee income from these cases.

The performance of the mortgage book continues to be strong in the low interest rate environment, with arrears being managed through arrangements being put in place with the affected borrowers and the number of cases above three months in arrears being kept to a minimal.

The level of individual loan loss provisions is reduced following the sale all remaining properties in possession and a general low level of more serious arrears and is now only £22,050 (2018: £76,112).

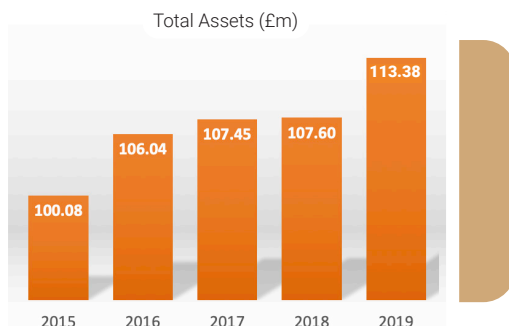
The collective loan loss provision continues to be calculated using a risk weighted approach and has increased to £106,828 (2018: £96,873) as a result of the growth in the size of the mortgage book. The Society continues to apply a 5% reduction to the House Price Index used to estimate current value of properties in this calculation, reflecting the concerns around property prices with the current political uncertainties.

Costs associated with the Financial Services Compensation Scheme Levy decreased this year resulting in a credit being recognised at year end.



## Total assets

The growth in mortgage assets was supported by the need for additional savings funds and an overall growth in total assets to £113.38 million (2018: £107.60 million).



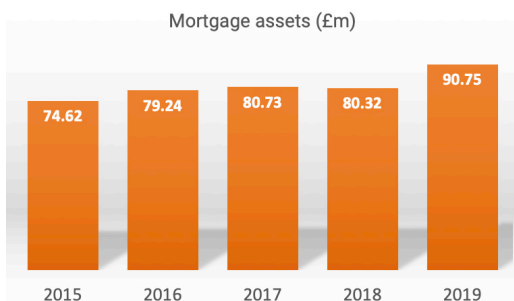
## Loans and advances

Changes were made to the mortgage distribution model this year, consolidating the intermediary partners the Society works with and utilising the subsidiary to broker direct cases.

The Society is restricted as to the levels of fixed rate mortgage business it can write annually, which has been challenging in the continued low interest rate environment. However, we maintain a good range of variable rate mortgage products and are able to support those who are unable to go to mainstream lenders for their mortgage needs due to more complex financial positions which we can individually underwrite.

Our gross lending increased to £26.53 million (2018: £15.42 million), which was a record lending achievement for the Society and a significant step up from the previous year. The appointment of the Business Development Manager and a range of products that suit the market we are looking to operate in have been key to this. We completed 202 advances, including 17 further advances.

Our strategy to retain existing borrowers has continued to prove effective, with a retention rate above 68% for those borrowers at the end of mortgage schemes. Net mortgage assets now stand at £90.75 million (2018: £80.32 million) as a result of both the advances and retentions work.



At 31 December 2019 there was one mortgage case (2018: none) where the repayment of principal and interest was twelve or more months in arrears and five cases (2018: one) with forbearance measures in place.

In spite of an increase in forbearance measures, we continue to maintain a very small number of arrears cases in the current low interest rate environment and as noted above, the mortgage loan loss provisions required are minimal. The Society had no properties in possession at the end of 2019 (2018: one).

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 borrowings

Shares and borrowings have increased to a total of £101.87 million at the year end (2018: £96.26 million).

The inflows were seen on the Help to Buy ISA, fixed rate bonds and a fixed term bond, the latter being in the final quarter of 2019.

The Society monitors our savings rates compared to the market on a regular basis and has seen the weighted average rate on the savings products increase from 1.15% to 1.18% in 2019. We have not adjusted any savings rates down in 2019.

The focus in 2019 was to attract good quality residential mortgage assets to replace surplus liquid assets (being cash and treasury investments) to improve the margin. Liquid assets fell to £21.54 million at the end of 2019 (2018: £26.16 million), being 21.14% (2018: 27.17%) of total shares and borrowings.



## Capital

At 31 December 2019, the Society's capital is £11.29 million (2018: £11.13 million).

A satisfactory level of capital is 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) has been consistent year on year at 11.43% of total shares and borrowings (2018: 11.42%).

Gross capital amounted to 11.09% of total shares and borrowings (2018: 11.56%), but still remained strong for the building society sector.

To meet regulatory requirements, a risk assessment of the Society's capital policies and procedures (the Internal Capital Adequacy Assessment Process) is carried out by the Executive and approved by the Board at least annually.

The table opposite summarises the Core Tier 1 Ratio, being Core Tier 1 Capital (reserves excluding mortgage impairments) as a percentage of risk weighted assets and the Leverage Ratio, being Tier 1 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 IV disclosures for Pillar 3, available on the Society's website, [www.penrithbs.co.uk](http://www.penrithbs.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, Interest Rate, Liquidity, Funding, Reputational, Operational, Conduct, Concentration, Fraud and Financial Crime, Climate Change, Cyber and Personnel. These are described in more detail within the full Annual Report and Accounts.



	2019 £	2018 £m
Tier 1 capital	11.3	11.1
Total capital	11.3	11.1
<b>Risk weighted assets:</b>		
Liquid assets	3.7	5.2
Loans and advances	35.1	29.7
Other assets	1.0	1.2
Operational risk	1.9	1.7
<b>Total risk weighted assets</b>	<b>41.7</b>	<b>37.8</b>
<b>Capital ratios:</b>		
Core tier 1	27.01%	29.42%
Leverage	9.96%	10.33%

## Land and Buildings

The Directors consider that the overall market value of the Society's Principal Office is in excess of the book value.

## Donations

During the year charitable donations totalling £6,642 (2018: £8,338) 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 L Drinkwater
- Richard J Vecqueray

### EXECUTIVE DIRECTORS

- Timothy J Bowen, *Chief Executive*
- Elspeth L James, *Finance Director*

All Directors retire on an annual basis and offer themselves for re-election, with the exception of Alan Waterfield, who is retiring from the Board after over nine years of continued service and Richard Vecqueray, who is stepping down due to other commitments after three years of continued service.

During the 12 months ended 31 December 2019, Tim Bowen has 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.

## Audit

Following the unanimous recommendation of the Audit, Risk & Compliance Committee, the Board intends to propose to members an ordinary resolution that Mazars LLP be reappointed as auditor of the Society until the conclusion of the 2021 AGM.

## 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.

## Post Balance Sheet Events

The post balance sheet events have been described in more detail in the full Annual Report and Accounts.

Approved and signed on behalf of the Board  
**Timothy J Bowen** (*Chief Executive*) and **Robert J Cairns** (*Chairman*)  
 6 March 2020



# SUMMARY FINANCIAL STATEMENT

The summary financial statements on pages 20 to 22, the message from our Chief Executive on pages 3 and 4 and the Business Review on pages 14 to 19, are 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, [www.penrithbs.co.uk](http://www.penrithbs.co.uk), from 27 March 2020.

This is the first year that the Society's fully owned subsidiary has been operational and therefore Group accounts have been prepared for the first time. The principal activity of the subsidiary is detailed in the full Annual Report and Accounts. As the activity of the subsidiary is aligned with that of the Society, references and results reported throughout the Summary Financial Statements to Society include the consolidated performance and position of the subsidiary, unless specifically noted otherwise.

## SUMMARY STATEMENT For the year ended 31 December 2019

RESULTS FOR THE YEAR	2019 £	2018 £
Net Interest Receivable	1,974,653	1,872,071
Other Income and Charges	42,340	11,072
Administrative Expenses	(1,801,994)	(1,690,057)
Provisions	(5,131)	14,032
Profit for the Year before Taxation	209,868	207,118
Taxation	(40,194)	(45,935)
<b>Profit for the Year</b>	<b>169,674</b>	<b>161,183</b>
<b>FINANCIAL POSITION AT END OF YEAR</b>	<b>2019 £</b>	<b>2018 £</b>
<b>ASSETS</b>		
Liquid Assets	21,537,852	26,159,324
Mortgages	90,746,117	80,323,340
Fixed and Other Assets	1,100,831	1,116,721
<b>Total Assets</b>	<b>113,384,800</b>	<b>107,599,385</b>
<b>LIABILITIES</b>		
Shares	99,374,466	93,886,050
Amounts Owed to Credit Institutions	502,301	500,247
Amounts Owed to Other Customers	1,996,792	1,877,698
Other Liabilities	216,454	210,277
Reserves	11,294,787	11,125,113
<b>Total Liabilities</b>	<b>113,384,800</b>	<b>107,599,385</b>

Approved by the Board of Directors on 6 March 2020 and signed on its behalf by:

**Robert J Cairns** (Chairman), **Janice Lincoln** (Director) and **Timothy J Bowen** (Director, Chief Executive)

## SUMMARY OF KEY FINANCIAL RATIOS

	2019	2018
Gross capital as a percentage of shares and borrowings (Note 1)	11.09%	11.56%
Liquid assets as a percentage of shares and borrowings (Note 2)	21.14%	27.17%
Profit for the year as a percentage of mean total assets (Note 3)	0.15%	0.15%
Management expenses as a percentage of mean total assets (Note 4)	1.63%	1.57%

## 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 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.

## 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 Remuneration Policy follows the 'Remuneration Code' guidelines put in place by the Financial Conduct Authority (FCA), which sets 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.

Executive Directors' remuneration comprises basic salary and pension benefits. 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, 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.



<b>Fees for services as Non-Executive Directors</b>	<b>2019 £</b>	<b>2018 £</b>
Robert J Cairns	19,199	18,822
Alan G Waterfield	15,466	15,162
William R C Lindsay	15,466	15,162
Janice Lincoln	15,983	15,670
Richard L Drinkwater	13,333	13,071
Richard J Vecqueray	13,333	13,071
<b>Total for Non-Executive Directors</b>	<b>92,780</b>	<b>90,958</b>

<b>For services as Executive Directors:</b>		<b>2019 £</b>	<b>2018 £</b>
Timothy J Bowen	Salary	101,500	100,000
	Pension Contributions	10,150	10,000
		<b>111,650</b>	<b>110,000</b>
Elspeth L James*	Salary	65,975	64,427
	Pension Contributions	6,598	6,271
		<b>72,573</b>	<b>70,698</b>
<b>Total for Executive Directors</b>		<b>184,223</b>	<b>180,698</b>
<b>Total for Directors Emoluments</b>		<b>277,003</b>	<b>271,656</b>

\*Elspeth James works on a four-day contract

**Approved and signed on behalf of the Remuneration Committee by:**  
**Alan G Waterfield** (Vice Chairman)  
**6 March 2020**

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

We have examined the Summary Financial Statement of Penrith Building Society set out on pages 20 to 21.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Financial Statement within the Annual Review in accordance with applicable United Kingdom law.

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

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

### Basis of opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts included in the Summary Financial Statement to the corresponding items within the full Annual Accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2019;
- 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 information has been omitted which although not specifically prescribed by section 76 of the Building Societies Act 1986 and regulations made under it, in our opinion, is necessary to ensure consistency with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2019.

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.

### Opinion on summary financial statement

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of Penrith Building Society for the year ended 31 December 2019 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

**Tim Hudson** (Senior Statutory Auditor)  
**for and on behalf of Mazars LLP**  
Chartered Accountants and Statutory Auditor  
One St Peter's Square, Manchester, M2 3DE  
**6 March 2020**







# Date for your diary...

This year the AGM will take place at **6pm,**  
**Wednesday 22 April 2020** at **The George Hotel,**  
Penrith, CA11 7SU.

## **Make your vote count.**

To enter the draw for the chance to win £50 Marks & Spencer 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.penrithbs.co.uk](http://www.penrithbs.co.uk)

### **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:** Mazars LLP, One St Peter's Square,  
Manchester, M2 3DE

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

**Chief Executive:** Timothy J Bowen

**Finance Director:** Elspeth L James

**Secretary:** Susan J Askew



**Penrith Building Society**  
7 King Street  
Penrith, Cumbria  
CA11 7AR

**E:** [enquiries@penrithbs.co.uk](mailto:enquiries@penrithbs.co.uk)  
**W:** [www.penrithbs.co.uk](http://www.penrithbs.co.uk)



**Penrith**  
building society

*Listening and Supporting, Since 1877*

**01768 863675**