



Penrith

building society

Listening and Supporting, Since 1877



2022: our year in review

Annual Review and
Summary Financial Statement

WIN
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Details inside cover

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The Group comprises Penrith Building Society and its subsidiary, Cumbria Mortgage Centre Limited. 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 Statement to Society include the consolidated performance and position of the subsidiary, unless specifically noted otherwise.



Make your vote count.

For every vote cast for this year's AGM we will donate £1 to the Salvation Army foodbank in Penrith. You also have the chance to enter the draw and win £50 Marks and Spencer vouchers, simply register your vote for the AGM. You can do this online, by post or at our Branch.

Full prize terms and conditions can be found at www.penrithbs.co.uk

AGM: 5pm, 26 April 2023 at The Sunbeams Music Centre

Cover Story

We are thrilled with our cover this year, an impression of our Head Office done for us by local artist Yvette Earl.

Yvette is an illustrator with a love for colour, architecture and dramatic skies!

Find out more about Yvette's work at www.yvette-earl.com



Message from our Chair, Will Lindsay



Dear Members

I am delighted to welcome you to our Annual Review for the year ended 31 December 2022.

Through necessity caused by the pandemic, we have held the last three AGMs virtually so it is with great pleasure that this year, we will return to a face-to-face AGM and hopefully as many members as possible will take the opportunity to meet me, my fellow Directors, Executive team and our staff at Sunbeams Music Centre on April 26 2023.

2022 was another difficult year for the UK. There have been challenges in terms of global stability as a result of the war in Ukraine, ambition to address environmental issues and at the same time to become more sustainable from an energy and commodity perspective.

Notwithstanding these challenges the Society has continued to make great progress in all areas.

A good financial performance comes from ensuring we continue to deliver great service and provide products which meet the needs of our members and the communities where we operate. It also enables us to provide financial support to local initiatives to make a positive impact on our community. Our culture and how we react to our environmental, social and governance requirements also form a most important part of us continuing to be sustainable.

I have just completed my first full year as Chair and I continue to consider it an honour to work on your behalf and with the Executive team and staff to ensure we maintain our independence for many years to come.

I hope many of you will have the chance to view our refurbished Head Office which has enabled us to improve our carbon footprint and provide a more flexible and efficient space for our staff. Many of our staff enjoy flexible working arrangements which supports our commitment to be a diverse and inclusive employer.

I give my sincere thanks to the Executive Directors Tim and Elspeth, for their superb leadership throughout the year, and to all our staff for their commitment and hard work in once again delivering a very successful year for our Society. I also wish to thank the other members of our Board who continue to provide great support. I would like to thank Kevin Parr for his contributions to the Society's Board as a Non-Executive Director, following his resignation from this position in 2022. We will be recruiting Non-Executive Directors in 2023 and will announce appointments on our website.

Finally I would like to thank you, our loyal and supportive members. It is your support that enables us to continue to serve our community and ensure our sustainability as an effective and relevant mutual.

Will Lindsay (Chair)
14 March 2023

Report from our Chief Executive, Tim Bowen

FOR THE YEAR ENDED
31 DECEMBER 2022



When I reflect on the disruptive and uncertain nature that was brought about by the Covid-19 pandemic, there was always going to be a need for fiscal tightening as the UK and the rest of the world returned to a degree of normality. I think very few of us could have predicted the scale of the economic and political challenges that would play out both domestically and on a global scale following the war in Ukraine. We have achieved a great deal in 2022 against huge amounts of economic volatility and a marketplace that was as fast changing as I have ever experienced. Some of my proudest moments have come from what we have achieved together as a team despite this.

2022 was a year in which we demonstrated resilience, produced strong financial results, and ensured that we maintained a supportive and safe environment for both our staff and members. We implemented and completed many change projects that will continue to support an operationally resilient and efficient business.

Our member loyalty and staff commitment were a huge factor in our successes, and I must thank you all for this. It is testament to the staff that we have been able to continue to operate both effectively and safely throughout these testing times. I am heartened that our loyal members have continued to understand and trust in the decisions we have taken to ensure we continue to provide high levels of service and fair returns.

I am delighted to report that we achieved a profit of £0.45m in 2022. This was a result of margin management during the year in a marketplace that was fast changing and extremely competitive. We ensured fair rates of return for our loyal savers, especially as market rates began to rise steeply. We continued to build our new mortgage business, whilst managing the back book effectively. Regarding our total assets, I am also delighted to be able to report growth of 8.90% to £138.01m.

These financial results were particularly pleasing in the context of the amount of change that we went through as a business. We continued to make changes to our operational model and to the structure of the business. Further improvements to our member experience were driven by a project focused on making our processes more efficient. We also undertook the full refurbishment and improvements of our Head Office building.

Mortgage performance

I talk each year about how fundamentally important mortgage lending remains to our long-term success and sustainability. We took a controlled approach to our mortgage lending in the first half of 2022 due to the programme of change that we introduced in the department. This has resulted in more efficient processes, which have improved our servicing times and the experience of our borrowing members and the mortgage intermediaries who we work with. Whilst we continued to see positive signs regarding products offered within the mortgage marketplace, the fast pace of pricing, driven primarily by the regularity of changes in monetary policy, resulted in us pausing the acceptance of new applications for a number of weeks in September and October. Despite the slower start and this pause, we still saw our mortgage assets growing by 5.83% to £102.57m. We achieved a significant milestone, as our mortgage assets reached £100m for the first time in our history.

We are confident that we are well placed in the areas of the market that we both want to, and are able, to compete in. Whilst it is likely that the mortgage market will continue to contract and activity reduce through 2023, we are certain that we will retain our share of the market.

Savings growth

We remain committed to providing fair rates of return to our loyal saving members and we continued to provide these in 2022. We reacted to the rises in interest rates throughout the year to ensure that our members were provided with good returns on their deposits. As a result of this we saw a net increase in savings flows of £10.34m taking our saving balances to £124.64m. We did, due to the fast paced market as a result of the constant rises in interest rate, have to restrict the admission of new saving members at different points to ensure that we were able to balance the demand for savings products alongside our mortgage products.



Member engagement and Community

I am pleased to report a stable year in our membership base which continues to show a real vote of confidence in us, as well as indicating that the products and services we provide are positioned well in the marketplace. The loyalty that is afforded to us by our members is something we are appreciative of and I am proud that we have been able to continue to provide fair rates and returns to both our borrowing and saving members throughout 2022, particularly when we compare ourselves to other providers in the market.

As is key to our purpose, we remain committed to the community that we serve in Penrith and the Eden Valley. In 2022, we again provided donations to charities and families in our community who really needed it. **We gave a total of £6,000 in December alone to local schools and charities in Penrith** to ensure that people and families who require financial support have been able to receive it. Our social purpose, as a mutually owned organisation, continues to be at the heart of all we do, and these donations perfectly illustrate our commitment to supporting the local community and the people who live within it, regardless of whether they are our members or not.



Pictured: Tim Bowen presenting Nick Dudson with the Man of the Match Award at PRUFC 15th October 2022

People

I must give thanks to our incredible team. I want to acknowledge their exceptional commitment, loyalty and support which has been instrumental in driving our performance and in supporting our members and partners against what has been another year of demanding circumstances. In addition, their acceptance and support of our change initiatives has been instrumental in successfully completing key projects and they should be proud of what has been achieved together.

In addition to this, the Board of Directors remain committed to continuing to provide and foster an environment for all staff and members that is safe, diverse, and inclusive.



Whilst we have moved to a greater degree of normality as we have come out of the impacts of the pandemic, we will commit to both engagement and volunteering that we have been able to support in the past. We have continued to support the financial education of the younger generation in Penrith in conjunction with **Queen Elizabeth Grammar School** and **Ullswater Community College**, and we will support this again moving forward through our ongoing partnership with the **Wize Up Financial Education Charity**.

Our affinity accounts have also supported **Pride in Penrith Lottery, Eden Valley Hospice & Jigsaw, Annie Mawson's Sunbeams Music Trust, Greener Every Day, Penrith RUFC Juniors, and Penrith & District Red Squirrel Group**. Where any member has an interest or relationship with one of these charities, I would encourage you to contact us to review how you may be able to further support them whilst saving for the future. Collectively, in 2022, we made contributions of £5,918 to these charities thanks to your support.



Future outlook

The UK is clearly facing a period of extraordinary political and economic uncertainty. Growth is forecast to continue to contract throughout 2023 and may take some time to recover dependent on several variables. This is likely to directly affect the housing market and we expect to see a decline in both prices and stock. In addition to this, due to inflationary pressures for UK households, there is the possibility that we see a rise in the numbers of people who could struggle to maintain their mortgage payments. We have a strong track record of supporting our members and this will continue through what will be a challenging period.

The Board continues to believe strongly that we have a sustainable future as an independent, vibrant Building Society mutually owned by you, our loyal members. We retain an experienced, capable, and talented team that will continue to monitor any adverse indicators relating to all factors in the marketplace, economy and political arenas whilst ensuring we support our members. Additionally, we remain well capitalised which will support us in navigating this uncertain period.

I say it each year and this year will be no different. We exist because of the commitment and dedication of our staff, who we will continue to invest in, as well as the ongoing loyalty and support of our members. I would like to thank you all for your support and I wish you both health and happiness for the coming year.

Tim Bowen (Chief Executive)
14 March 2023



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Environment

As a Society we remain passionate about our environment and reducing the impact we have on our climate. You may have already read about the measures we took during our recent office refurbishment, we have also been working hard out of the office as well.

Partnership with Greener Every Day

In 2022 we continued working with Greener Every Day, a local charity organisation with a mission to make the world a greener and healthier place.

In April we sent a team of volunteers to plant 170 trees at a location in the heart of the Eden Valley. We planted a mixture of Oak, Rowan, Poplar and Cherry and we can't wait to revisit the site in years to come to see those trees growing.

Of the 170 trees we planted, 70 were English oak and as a result we were presented with a certificate confirming an offset of 12,375kg of carbon per year! It was fulfilling to find out the actual environmental benefit from our efforts and great encouragement to do more.



Growing trees from mortgages

We have also continued to donate the cost for planting a tree for every new purchase mortgage we complete. In 2022 this meant that we sent Greener Every Day the funds for 52 trees to be planted.



Queen's Green Canopy: Jubilee Trees

In March we again worked in partnership with Greener Every Day. Our Finance Director Elspeth James and our Head of Member Services Clare Harrison were invited along to watch the Lord Lieutenant of Cumbria Claire Hensman plant a tree in Bitts Park as part of the Queen's Green Canopy Jubilee celebrations.

We were proud to be part of this initiative with over a million trees planted in Her Majesty's name across the nation between October 2021 and March 2022.

Junior Affinity Partner playing an important part in sustaining our environment

We were pleased to announce in July 2022 that Greener Every Day would be our newest Affinity Partner. We launched a Junior Affinity Regular Saver account which generates a donation to Greener Every Day at the end of the year, depending on how much has been saved by account holding members throughout the year.

Cezary Flack from Greener Every Day joined us at Penrith Show to launch the account, and he also brought trees for our junior visitors to the stand to plant into pots to take home. This was hugely successful on the day and it was great to see our guests finding out more about the importance of trees and the impact they have on our environment.



A Greener Every Day Junior Affinity Regular Saver account is a great way for a child to not only learn the savings habit but also to have a contribution in making our planet a greener and healthier place to live.

Take a look on our website www.penrithbs.co.uk or contact our Branch to find out more about this savings account. To find out more about Greener Every Day and the work they do you can check out their informative website at www.greenereveryday.co.uk

Elsewhere, we continued to reduce waste and to recycle where possible, reducing the amount of paper we use and encouraging energy saving measures. Make sure you read our piece on page 11 about our Head Office refurbishment and the steps taken within that project to manage it with climate and green initiatives at the forefront.

AGM News

For three years, due to Covid-19 restrictions, our AGM was held virtually. Whilst that format has proved successful, we have missed the opportunity to meet our members in person and share our year with you.

However, we are very pleased to announce that in 2023 we will return to holding a face-to-face event. We look forward to seeing you at **The Sunbeams Music Centre on 26 April 2023 at 5pm**, where we will have guest speaker Cezary Flak, founder of the charity Greener Every Day, and some of his fellow trustees joining us.

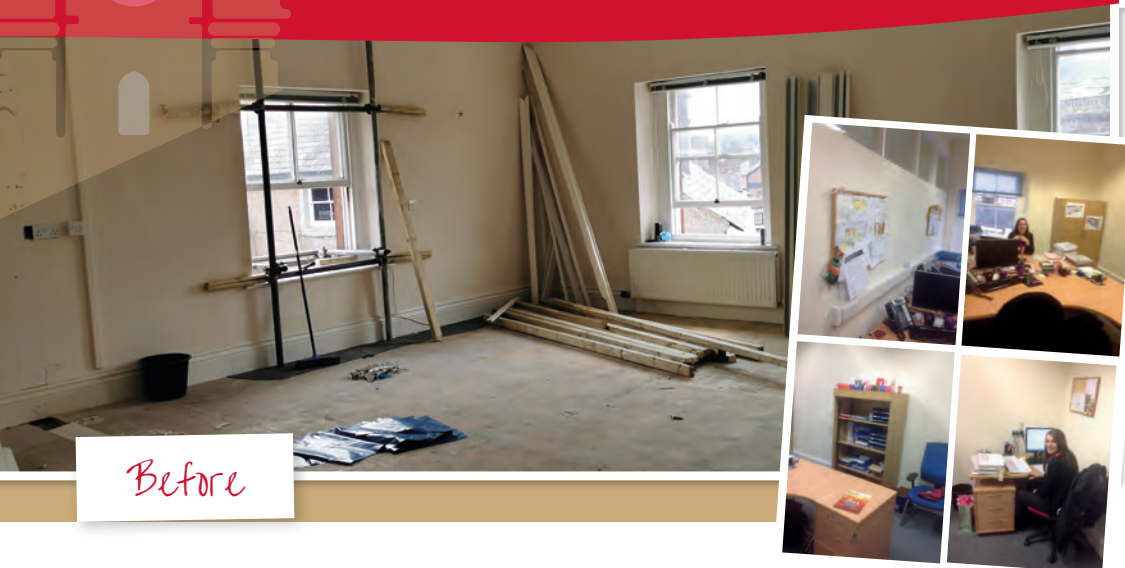
As part of our commitment to the environment we are pleased to tell you that by using Carbon Balanced Paper for our AGM mailings we are lessening our impact on our climate. Last year this balanced the equivalent of 44kg of carbon dioxide. Our mailing this year will achieve similar, and we continue to look at other ways across our business to implement green initiatives.



Head Office refurbishment

Have you ever wondered what it is like behind the scenes at our offices in King Street?

We updated the branch a few years ago, but the rest of the office still reflected the layout we moved to over 60 years ago. Pre-pandemic we felt we had outgrown our tired and dated office. However, during the pandemic we adapted well to hybrid working, particularly through the use of technology for meetings and other conversations. We realised we did not need everyone in the office at the same time to provide an outstanding service to our members.



Before

The team gave feedback that they appreciated more flexible work arrangements, but also recognised the value of face to face time to deliver on key initiatives. Being green is important to the team, with many still living locally and enjoying their ability to walk to work and be based in the community heart.

We realised that by adapting our existing office we could achieve the goal of a modern, collaborative work space which we believe will help us attract and retain future talent, confirm our commitment to the town and truly embrace what genuine hybrid working means.

Everyone now has a laptop and can dock at any desk each day, selecting the right one for them. For the team unable to work at home we created pods which they use to experience the home working environment. This has allowed the team to remain productive and has had a positive impact on health and wellbeing, a key goal for us.

After



A meeting hub with leading AV technology allows us to come together physically or virtually, and smaller breakout areas encourage collaborative work which the team were missing during the lockdowns. The enhanced kitchen encourages a break from desks and access to the upper floors with the installation of a lift means we are finally disability friendly, a long concern of ours to ensure diversity and inclusivity factors are addressed.

Climate was an important consideration. We introduced a heritage officer to help improve our carbon footprint and local supplier Heaton's inspired the interiors, using Humanscale® furnishings which are ergonomic and have a net positive certification, confirming they actively help reverse climate change. All the old furniture did not end up in landfill, but was given to Hopscotch Care, a Kendal charity who needed furniture for an expanded office space.

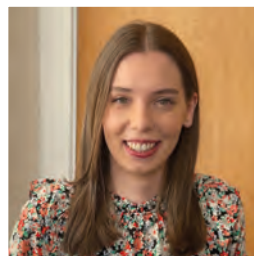


Keeping work on the project local was important and we would thank **Yam Architects, Atkinsons, Sissons, Contract Flooring (Cumbria), North Lakes Glass & Glazing, Benchmarx (Penrith), Apollo Blinds and AST Signs**, among others, for their support in delivering the project which confirms we are committed to the local community and intend to remain at its heart for many years to come.

Lucy Hodgson *Finance Assistant*

Lucy progressed with her studies in 2022, building on her impressive results of 2021, continuing to attend Carlisle College once a week. She undertook exams in Drafting & Interpreting Financial Statements - and passed with flying colours!

During 2023 she will begin her Level 4 Apprenticeship. We are sure she will continue with the same great success and continue to have a positive impact on the Society.



Claire Renwick *Mortgage Manager*

Claire completed her Equity Release exam in April 2022, adding to her impressive list of qualifications. She was signed off as a fully competent Mortgage Adviser by the Mortgage Advice Bureau which was a big achievement and one that will help the us to continue to offer our usual personal touch to new applicants. 2023 will see her continue to advance her qualifications by completing R02 Investment Principles and Risk.

Claire was appointed as our new Mortgage Manager in January 2023, we are confident she will bring a wealth of skills to her new role!



A warm welcome to our new starters!

Georgia Flint *Customer Representative*

Georgia joined us in July 2022 as a Customer Representative, adding a new face to our Branch team. This was a change of career path for Georgia as she was previously working in a children's nursery. She has already proven to be a friendly and helpful presence with our members.

In her spare time Georgia enjoys holidays and spending time with her family and friends, she has her hands full with her two lovely Cockapoos!

Helen Thistlethwaite *Business Development Officer*

Helen joined us in May 2022 as Business Development Officer. She has worked in financial services for over 30 years in a variety of roles including running her own mortgage and protection company. Her knowledge makes her perfectly placed to work with our intermediary partners and to develop new relationships.

In her spare time Helen enjoys walking and has challenged herself to walk all 214 Wainwrights. She enjoys foreign travel and in 2022 also got married. She certainly likes to keep busy!



Financial Education

Clare, our Head of Member Services, and Louise, our Financial Controller, have been supporting students at Queen Elizabeth Grammar School in Penrith this year with financial education.

They worked with Year 10 and Year 11 students as part of their citizenship curriculum. The topics covered included – long term planning, what is involved in borrowing money, how much this costs and things to avoid, protecting against identity theft and scams, and how to interpret a payslip. We were delighted to receive very positive feedback from the students.

We also continued our ten year long partnership with the not-for-profit financial education company WizeUp. This entails sponsoring workshops run by WizeUp at both Queen Elizabeth Grammar School and Ullswater Community College, covering a wide variety of topics designed to help students navigate the financial challenges they will face.

Clare has also supported the 2nd Penrith Scout Group Blencathra Cubs to achieve their Money Skills badge.

We are keen to continue to assist in providing financial education for young people but also older age groups. If you feel you are involved with an organisation who may benefit from any information or support from us then please contact our Head of Member Services Clare Harrison on 01768 863675 or email enquiries@penrithbs.co.uk



Digital Transformation Communications

We have an ongoing commitment to improving efficiencies in our business for the benefit of our members, staff and the environment. Our digital transformation strategy aims to enhance member choice, and build in sustainability, whilst protecting your data.

As part of this strategy, we are delighted to announce our partnership with docStribute® to deliver the choice of a secure and sustainable digital communications platform for our members.



Who are docStribute®?

docStribute® are a UK tech company that utilise distributed ledger technology to simplify and secure the delivery of documents and contracts.

Sustainability is at the heart of what they do as they help the financial sector significantly reduce its carbon emissions. As an example, docStribute® have calculated that taking advantage of digital communication will provide a 98% reduction in Co₂ emissions, in comparison to paper communication.

This platform allows for documents to be sent to our members as secure hyperlinks via email, SMS or instant messaging. The clever bit is that once documents have been encrypted, they cannot be changed or tampered with. You can be assured that your data is always protected. Initially, you will be able to receive documents via email and we plan to introduce further services such as SMS in the future. We will let you know as further services are introduced.



The Project

We recognise that our members want the ability to choose how they receive information and that being able to deliver secure communications digitally is a significant step in that journey.

We will be developing the project over the coming months to include welcome packs for new members, statements of account, newsletters, mortgage applications, details of new products and services and other general correspondence.



Keeping us up to date

It is important that you keep us up to date with your preferences for communication. For those of you who are able and wish to cast your AGM vote online, there will be an opportunity, once you have completed the voting process, to provide us with up-to-date contact information and your communication preferences.

If you prefer to cast your vote, using the paper form, please complete the tear off section below, detach from the booklet and submit along with your voting papers.

Your Name:

Account Number:
(please provide at least one)

Preferred contact email address:

Preferred contact telephone number:

Please tick the relevant column in the table to let us know how you would like to receive the various types of communication.

*Please note: There are certain communications we are obliged to send to you to fulfil regulatory requirements.

Type of Communication	Post	Email	None*
AGM Notice			
Account Statements			
General Account servicing correspondence			
Information on new products & services			
Newsletters			

Community round up for 2022

In 2022 we were able to return to the community activities that are close to our heart. As always, we are grateful to our members who support us in these activities and to our staff for their enthusiasm and commitment in supporting local events and charities.

Here are a few of our 2022 highlights!

Keep up to date with our latest thoughts and news on [f](#) [t](#)



Penrith Netball Club

We joined with other businesses in sponsoring the purchase of the new kit for **Penrith Netball Club**. Clare went along to get a first-hand look at the new kit and to wish the team every success. We think the kit looks great!

The Queen's Platinum Jubilee Bake-off

As part of our Jubilee celebrations, we held a 'bake-off' and sale. The staff excelled themselves with their creations and the winning Jubilee styled Battenburg cake belonged to Lesley – no surprise there as she is known for her delicious baking!



During 2022 we partnered with **Hayton Primary School** in the **Centre for Leadership Performance's 'Bright Stars' programme** which challenged the pupils to set up their own social enterprise businesses to 'make a profit & make a difference'.



Members of our staff, Louise, Lucy and Max visited the school to assist them with their chosen business idea to make and sell soap. We helped them to choose and design their logo and posters, conducting market research and development of their business plan. **Greener Every Day** received 50% of the business profits and we helped them plant a Maple tree in the school grounds which will give a lasting legacy for generations of pupils to come.

We hope the school had as much fun working with us with us as we did with them!

This is the kind of community enterprise we love to get involved in and we will continue partnering with the Bright Stars initiative in 2023 by working with High Hesket School – look out for more news on that!



A visit from the Show President
Stephen Lancaster

Penrith Show 2022

2022 saw the return of **Penrith Agricultural Show** - and what a return it was, the sun shone and the crowds came!

We were proud to be Principal Partner and were in a prime position on the show field with our stand, which we shared with the Cumberland and Westmorland Herald and some of our affinity partners. We had a fantastic day chatting with the many visitors to our stand, telling them about our affinity partners and our other community work. For our younger visitors our newest affinity partner Greener Every Day brought along trees to plant which proved hugely popular – kids and soil! Messy fun and education, what could go wrong...

Affinity Accounts

We continue to support our affinity partners with our range of adult and junior affinity accounts. The 2022 annual dividend payment totalled £5,918 and was split between **Eden Valley Hospice and Jigsaw, Pride In Penrith Lottery, Annie Mawson's Sunbeams Music Trust, Penrith & District Red Squirrel Group, Penrith RUFC Juniors and Greener Every Day**. Many thanks to all our members who save into these accounts to generate these donations.

Other donations

At the end of 2022, the Society was proud to be able to make a number of other donations. Recipients included local primary schools and **Eden Carers**.

We were once again pleased to be part of the **CFM Mission Christmas** campaign which helps ensure children in the local area receive a Christmas Gift when they may otherwise have gone without.

We had a special message that aired on CFM and filled two collection boxes in the Branch. We would like to everyone who donated gifts – it's a very special campaign that brings such a lot of joy to children at Christmas time.



Salvation Army Foodbank

December saw our staff take part in a Reverse Advent Calendar. This meant that for each of the 24 days of advent we collected food and sundry items which were then donated to the local **Salvation Army foodbank**.

As you can see the collection was very successful and we hope this boosted the foodbank at a time when more people than ever are using the service. We felt this was an important service to support and will continue to do so throughout 2023.

Strategic Business Review 2022



We have seen a positive year overall, achieving growth in all areas and strong profitability.

Inflation continues to rise and alongside this interest rates, which present challenges to us and our members. We believe that we have in place a strong business model and a commitment to continue on our journey in 2023 and beyond.

We consider our reason for being as part of our strategy event each year, and have retained our purpose and values as follows:

Our purpose - confirms that we are proud to be here for our members and community. We offer a safe place to build your savings, which in turn helps others to buy their home.

Our values - which support the purpose, are summarised as follows:

- we are trustworthy
- we are relevant
- we are straightforward
- we listen to you
- we care about you

Our objectives – which support the achievement of our purpose and delivery of our long-term strategy to grow in a controlled manner, are as follows:

- To remain confident that we will identify areas of the mortgage market within our risk appetite, that we can be competitive in, wish to compete in and develop and leverage our intermediary relationships.
- To ensure that we fund our mortgage business in a sustainable and controlled manner that preserves our net interest margin and profitability.
- To commit to being an independent, profitable and operationally resilient mutual, whilst fulfilling the social aspect of our purpose within the community in which we are based.
- To maximise the value of our brand, by engaging with and supporting the financial education of our members and our communities. Additionally, we will work with local businesses and government to connect and promote us further with our local community.
- To continue to invest in improving our people, processes, systems and controls.
- To agree about the requirement to focus on creating an environment from which to build our inclusive and diverse culture and the wellbeing of our people.
- To identify the right strategic partners, to maximise value in all areas of the business.
- To comply with the regulatory agenda and adapt to changes in an agile and proportionate manner.

Achieving the above will continue to see us generate stronger returns, withstand financial stress and operate credibly and competitively in the financial services environment.

Our principal business objectives are the provision of mortgage finance for residential property, savings products for private individuals and local businesses and related services.

Key Performance Indicators

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

Income and Expenditure

We made a profit for the year after taxation of £0.45m (2021: £0.56m).

Total income is £2.90m, compared to £2.72m in 2021. The net interest margin increased from 1.89% to 2.16%, but remains an area of focus in the rising interest rate environment, to ensure we remain fair to our members in both savings and mortgage rates. We monitor our competitor activity to ensure we are pricing with or ahead of the market.



We charge fees for mortgage products, but keep these as low as possible. We pay legal and valuation fees on certain products on behalf of borrowers. Introducer fees are paid to intermediaries, through whom we source a significant amount of new lending.

Management expenses including depreciation are £2.34m (2021: £2.06m), an increase of 13.43%. Management expenses expressed as a ratio of mean total assets are 1.77% (2021: 1.66%).

We invested significantly in reconfiguring our Head Office behind the scenes in 2022, creating an environment supportive of our hybrid working approach, allowing for collaborative and individual working, but also ensuring the space supported our diversity and inclusivity agenda. We also took positive steps to improve the area from a climate change perspective.

Work on our access to digital channels continued, with steps taken towards the end of the year to formally engage with partners who will support our greener initiatives and reduce the unnecessary print and postage costs we continue to see. Investment in our people remains key to our future success, and 2022 saw new resources in the savings and mortgage teams, and further qualifications achieved across departments.

Total assets

New bond products and a refresh of our notice account range, coupled with some market leading rates on ISAs in the autumn saw strong savings inflows which supported positive asset growth at year end, being 8.90% (2021: 3.98%).

Mortgage activity took advantage of this position through a good mix of product completions throughout the year, and strong activity on retentions of existing borrowers, which saw mortgage assets grow at a similar pace to total assets, at 5.83% (2021: 5.63%).



We advanced 157 (2021: 208) new loans at a total value of £22.17m (2021: £24.62m). Within these loans, were 24 further advances (2021: 14). Our subsidiary continues to allow us to provide direct mortgage advice to borrowers, many of whom are based in our heartland. These cases represented 25.70% of our new mortgage business in 2022 (2021: 33.04%).

Increases in interest rates by the Bank of England to try and bring inflation back under control, has seen us increase our rates on both sides of the balance sheet.

We have consciously not moved our rates with each bank rate increase, but have considered where our product range needs to be to both attract new members, but importantly to retain our existing members.

We have responded to rate rises for the benefit of savings members, which saw us reach the Best Buy tables in early October on key products of cash ISAs and notice accounts.

Equally for borrowers, we did some exclusive deeper discounted products over the summer which were taken up quickly and our more specialist ranges of self-build, expat and holiday lets are continuing to attract good levels of business.

2023 will be challenging with interest rates set to rise even further, a slow down in mortgage lending anticipated and further concerns over the cost of living impacts on household spending and saving.

We will continue to review where we are positioned in the market, reacting where necessary to keep pace, but also considering the impact on savings and borrowing members as they manage household budgets through this period of turmoil.

Liquid assets fell to lower levels deliberately in the first half of 2022, but the savings inflows, and strong mortgage retention saw us end the year with liquidity at 27.02% of total shares and borrowings (2021: 25.15%).



Arrears Performance

At the end of 2022, the arrears levels on our mortgage book has fallen to just three cases in arrears over three months, of which no cases were more than 12 months in arrears (2021: one case). Four cases (2021: one case) had forbearance measures in place at the year end. We have no properties in possession at the end of 2022 (2021: none). As a result of the strong arrears management, we have kept our loan loss provisioning consistent with 2021, at £0.19m (2021: £0.18m). We remain cautious as to the potential for over inflation in the housing market and have continued to apply a 10% reduction in the House Price Indices used to estimate our current value of properties in our risk-weighted collective loan loss provisioning model.

We take all reasonable steps to minimise loss through ensuring that the criteria of our Responsible Lending Policy is followed through individual underwriting and is being appropriately updated to take account of the prevailing economic conditions.

In particular, we are vigilant to the financial stresses which may arise for borrowers as the interest rates continue 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.

Capital



At 31 December 2022, our total capital is £12.55m (2021: £12.10m). A satisfactory level of capital is maintained to ensure we are protected against any adverse changes in economic conditions in general or in circumstances particular to us.

The free capital ratio (the aggregate of general reserve and collective impairment for losses on loans and advances less tangible and intangible assets) has decreased to 9.64% of total shares and borrowings (2021: 10.56%).



Additionally, the gross capital ratio (being general reserves) amounted to 10.03% of total shares and borrowings (2021: 10.59%). Although levels of profits remain good, the growth in assets has outpaced the return on capital this year, resulting in the reduced ratio positions.

Both capital ratios still remain strong for the building society sector overall.

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

The table here summarises the Core Tier 1 Ratio, being Tier 1 Capital (reserves less a deduction for intangible assets) 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

	2022	2021
	£m	£m
Tier 1 capital (after regulatory deductions)	12.42	11.96
Tier 2 capital	0.18	0.17
Total capital	12.60	12.13
Risk weighted assets:		
Liquid assets	6.58	5.30
Loans and advances	37.82	36.06
Other assets	1.62	1.06
Operational risk	4.33	3.82
Total risk weighted assets	50.35	46.24
Capital ratios:		
Core tier 1	24.67%	25.86%
Leverage	8.80%	9.21%

Principal Risks and Uncertainties

We adopt the approach of a low exposure to risk so as to maintain member confidence and to allow the achievement of our corporate objectives. There is a formal structure for risk management which includes fully documented control procedures in addition to risk limits, mandates and reporting lines.

In 2022 we have been working on our operational resilience, being the ability to withstand stress across all areas of the business and we continue to work to embed this, along side other priority projects including Consumer Duty and Climate Change.

We monitor the following risk areas through the Board and sub-committee structure. Dashboards for all risk areas are presented at least quarterly to the relevant risk committee, which include details on the sub-risks and controls for each risk area, and monitoring metrics where appropriate to ensure the risks are being managed within the risk appetites set by the Board.

The main risks to which we are exposed are Credit, Operational, Conduct, Liquidity, Funding, Interest Rate, Cyber, Data, Fraud and Financial Crime and Climate Change. These are described in more detail within the full Annual Report and Accounts.

Land and Buildings

The Directors consider that the overall market value of the Head Office is in excess of the book value.

Donations

During the year charitable donations totalling £24,853 (2021: £17,794) were made.

No contributions were made for political purposes.

Directors

The following persons were Directors during the year:

NON-EXECUTIVE DIRECTORS

- **Will Lindsay,**
Board Chair
- **Rod Ashley**
Acting Senior Independent Director
- **Richard Drinkwater**
- **Janice Lincoln**
- **Kevin Parr**
(Resigned 31 October 2022)

EXECUTIVE DIRECTORS

- **Tim Bowen,**
Chief Executive
- **Elsbeth James,**
Finance Director

All Directors retire on an annual basis and offer themselves for re-election.

None of the Directors had any beneficial interest in any connected undertaking at any time during the year. Tim Bowen re-joined the Board of Mutual Vision Technologies Limited, who provide our core banking platform under a managed service arrangement, on 13 January 2023 and to date no fees or other income have been provided to us.

We maintain liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986. There are no Directors' indemnities.



Staff

The Directors are pleased to record their appreciation to management and staff for their hard work and loyal service rendered during what has been a further challenging year.

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

Going Concern

Forecasts of the financial position for the period ending at least twelve months from the date of the signing of these accounts have been prepared. In making this assessment, the risks that could impact on our capital, financial and liquidity positions over that period have been considered and stressed as appropriate. Additionally, our operational resilience continues to be reviewed and tested, with the key requirement to maintain an essential branch service for the local community, with significant numbers of staff working at home and no loss of service to members as a result of the changes made.

These forecasts and other reviews have satisfied the Directors that we have adequate resources to continue in business for the foreseeable future. For this reason, it is appropriate for the accounts to continue to be prepared on the going concern basis.

Post Balance Sheet Events

The Directors do not consider that any event since the year-end has had a material effect on the financial position as disclosed in the Annual Report and Accounts.

Approved and signed on behalf of the Board
Tim Bowen (Chief Executive) and Will Lindsay (Chair)
14 March 2023

SUMMARY FINANCIAL STATEMENT

The Summary Financial Statement on pages 24 - 26, the message from our Chief Executive on pages 4 - 7 and the Strategic Business Review on pages 18 - 23, are a summary of the information in the audited Annual Accounts, Directors Report and Annual Business Statement, all of which will be available in our branch or on our website, www.penrithbs.co.uk, from 31 March 2023.

GROUP SUMMARY FINANCIAL STATEMENT

For the year ended 31 December 2022

RESULTS FOR THE YEAR	2022 £	2021 £
Net Interest Receivable	2,831,339	2,729,638
Other Income and Charges	71,864	(12,253)
Administrative Expenses	(2,340,336)	(2,063,153)
Provisions	(13,000)	44,000
Profit for the Year before Taxation	549,867	698,232
Taxation	(98,360)	(135,325)
Profit for the Year	451,507	562,907

FINANCIAL POSITION AT END OF YEAR	2022 £	2021 £
ASSETS		
Liquid Assets	33,815,214	28,745,049
Mortgages	102,574,523	96,923,297
Fixed and Other Assets	1,616,944	1,062,612
Total Assets	138,006,681	126,730,958
LIABILITIES		
Shares	121,761,352	111,704,861
Amounts Owed to Credit Institutions	504,701	-
Amounts Owed to Other Customers	2,881,776	2,594,037
Other Liabilities	307,593	332,309
Reserves	12,551,259	12,099,751
Total Liabilities	138,006,681	126,730,958

Approved by the Board of Directors on 14 March 2023
and signed on its behalf by:

Will Lindsay (Chair), Janice Lincoln (Director)
and Tim Bowen (Director, Chief Executive)

SUMMARY OF KEY FINANCIAL RATIOS

	2022	2021
Gross capital as a percentage of shares and borrowings (Note 1)	10.03%	10.59%
Liquid assets as a percentage of shares and borrowings (Note 2)	27.02%	25.15%
Profit for the year as a percentage of mean total assets (Note 3)	0.34%	0.45%
Management expenses as a percentage of mean total assets (Note 4)	1.77%	1.66%

NOTES TO THE SUMMARY FINANCIAL STATEMENT

1. The gross capital ratio measures the proportion which the capital bears to the shares and borrowings. The gross capital consists of reserves, which are our profits accumulated over many years.
Capital provides a financial cushion against difficulties which might arise in the 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 shares and borrowings. Liquid assets are utilised in cash management enabling us 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

Our 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 we are required to meet when setting pay for Directors. We do not have bonus or share option schemes and therefore no element of variable remuneration. In addition, due to our size, we do 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.

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 Chair and Chair of the Audit, Risk and Compliance Committee receive higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on those positions.

Executive Directors

We set remuneration at levels sufficient to attract and retain Executives of sufficient calibre and expertise.

Executive Directors' remuneration comprises basic salary, discretionary bonus and pension benefits, the latter is based on a fixed percentage of salary.

The remuneration level and structure are considered by the Remuneration Committee which meets at least twice a year, with reference to job content and responsibilities, the performance of the individual and salaries in similar organisations. Additionally, the Remuneration Committee considers the achievement of the strategic objectives within the Corporate Plan and the ongoing delivery of the longer-term strategy when considering any inflationary increases to Executive Directors' salaries.

There are no incentive schemes in place for the Executive Directors. The Remuneration Committee has the discretion to add a bonus payment to the remuneration of the Executive Directors annually if they feel there are aspects of their performance that would support an additional reward. This is aligned with the approach taken for all staff and is as a result of the appraisal process completed each year when achievement of objectives, aligned to the strategic goals, are reviewed.

We do not have a defined benefit final salary pension scheme. We make contributions to the private pension arrangements of the Executive Directors at the same level as that given to staff.

The Chief Executive's and Finance Director's contracts of employment require a 12 month and 9 month notice period respectively.

Fees for services as Non-Executive Directors	2022 £	2021 £
Rod Ashley	17,077	16,013
Rob Cairns (<i>retired 31 October 2021</i>)	-	16,548
Richard Drinkwater	17,077	16,013
Janice Lincoln	17,647	16,548
Will Lindsay	21,197	16,660
Kevin Parr (<i>resigned 31 October 2022</i>)	14,176	16,013

Total for Non-Executive Directors	87,174	97,795
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For services as Executive Directors:	2022 £	2021 £
Salary	117,584	111,656
Bonus	7,157	10,952
Benefits and Allowances	6,164	1,794
Pension Contributions	5,879	5,598
Total	136,784	130,000
Salary	75,688	71,761
Bonus	4,607	6,943
Benefits and Allowances	2,783	2,035
Pension Contributions	3,784	3,604
Total	86,862	84,343

Total for Executive Directors	223,646	214,343
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Total for Directors Emoluments	310,820	312,138
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*Elspeth James works on a four-day contract.

Approved and signed on behalf of the Remuneration Committee by:
Richard Drinkwater (Non-Executive Director)
14 March 2023

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

We have examined the Summary Financial Statement of Penrith Building Society (the "Society") set out on pages 24 to 26.

Respective responsibilities of Directors and auditor

The Directors are responsible for preparing the Summary Financial Statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, the Annual Business Statement and the 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 included in the Summary Financial Statement to the corresponding items within the full Annual Accounts, the Annual Business Statement and the Directors' Report of the Society for the year ended 31 December 2022 including consideration of whether, in our opinion, the information in the Summary Financial Statement has been summarised in a manner which is not consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the 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 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 the Directors' Report of the Society for the year ended 31 December 2022.

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 opinion on those Annual Accounts, the Annual Business Statement and the Directors' Report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Penrith Building Society for the year ended 31 December 2022 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Use of the statement

This statement is made solely to the Society's members as a body and the Society's depositors as a body in accordance with section 76(5) of the Building Societies Act 1986. Our audit 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 audit work, for this statement, or for the opinions we have formed.

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
14 March 2023

mazars

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Annie Mawson's
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juniors

Directors

Rod Ashley
Tim Bowen
Richard Drinkwater
Elspeth James
Janice Lincoln
Will Lindsay (Chair)

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: Tim Bowen

Finance Director: Elspeth James

Secretary: Sue Askew



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