



Penrith

building society

Listening and Supporting, Since 1877

2023

our year
in review

**AGM
2024**

**11am, 18 April
at the Penrith
Parish Centre**

Annual Review & Summary Financial Statement

2023 Contents

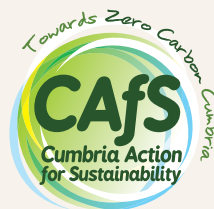
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The Group comprises Penrith Building Society and its subsidiary, Cumbria Mortgage Centre Limited. The principal activity of the subsidiary is detailed in the full Annual Report and Accounts. As the activity of the subsidiary is aligned with that of 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.



AGM: 11am,
18 April 2024 at
the Penrith Parish
Centre.



Make your vote count.

For every vote cast for this year's AGM we will donate £1 to our Charity of the Year, Cumbria Action for Sustainability (CAFS). **In addition for every member who attends the AGM we will donate £10 to CAFS** to help them continue the support they are giving to those that need it most.

Message from our Chair, Will Lindsay

Welcome to our Annual Review for the year ended 31 December 2023

Hopefully as many members as possible will take the opportunity to meet me, my fellow Directors, our Executive Team and staff at the **Penrith Parish Centre, in St Andrew's Place on 18 April at 11.00am for our Annual General Meeting.**

Firstly, as many of you will know, we have a new Chief Executive leading the Society into 2024. **Zack Hocking** joined us at the beginning of December 2023. Zack has held senior executive positions within the financial services industry for many years, most recently with Belmont Green (a specialist mortgage lending business) and CYBG/Virgin Money, one of the more established UK challenger banks. We welcome Zack to the 'family' which is Penrith Building Society.

I would like to thank **Tim Bowen** for his commitment during his six years as Chief Executive, leading us through the challenges of the pandemic and, of course, the national and global headwinds which have played out during the last 4/5 years.

Alongside the outgoing and incoming CEOs we benefitted from the significant experience of **Elsbeth James** our Finance Director as well as the other members of our Executive Team, **Louise Watt** and **Sue Askew**, who together provided leadership and stability to us during this period of change. I give my sincere thanks to Tim and the Executive Team for their superb work throughout the year, and to all our colleagues for their commitment and efforts in once again delivering a very successful year for us. I also wish to thank the other members of our Board who continue to provide great support.

I am delighted that **we achieved a financial performance exceeding our expectations for 2023.** Financial performance is, of course, only part of the story at Penrith Building Society. 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 the commitment we show to discharging our environmental, social and governance responsibilities are key to ensuring we continue as a thriving and sustainable business.

2023 brought different challenges from those of previous years, impacting not just on us but also our members through higher costs of living caused by national and global uncertainties. Whilst interest rates seemed to have now stopped rising, there is still considerable uncertainty facing our economy and the potential for 2024 to be a volatile and unpredictable year.

Despite these challenges, you can be assured that we will continue to make the right decisions in terms of keeping our business safe and looking after you, our members.

Finally, I would like to thank you, our loyal members. It is your ongoing support that enables us to continue to serve our communities, to attract new members, and ensure we remain a sustainable and relevant, mutual Society.

Will Lindsay (Chair)
29 February 2024



Report from our CEO, Zack Hocking

FOR THE YEAR ENDED 31 DECEMBER 2023

Hello to all of our members and thank you for taking the time to read this update. I am delighted to have joined Penrith Building Society as the new Chief Executive and I aim to be able to continue the good work of my predecessor Tim. I am committed to ensuring we continue as a financially strong and independent mutual business, operating solely for the benefit of our current and future members. For those who are interested, there's a little bit more about my background in the Meet our People section, on page 10.



Supporting our Members

Whilst many of us enjoyed less disruption in our lives this year as the impact of the pandemic receded, the year brought many new challenges for members. The high levels of inflation and rising interest rates increased pressure on household budgets and, for some, created difficulties in keeping up to date with their financial commitments.

The Society recognised the challenges and was very pro-active in helping both our mortgage and savings members. We have been making considerable effort to contact and support those who may be experiencing some difficulties in meeting their mortgage payments and we offer a wide range of options to them to help manage their finances.

For members with mortgages whose initial or latest product offer period is coming to an end, we are making contact in advance and offering new deals at preferential rates to those we offer new members on like for like mortgage products. This has ensured that very few members have moved on to the standard variable mortgage rate, helping to reduce the level of increase in mortgage payments that they would otherwise incur.

Our saving members have benefited from rising interest rates and we are pleased that our savings rates continue to be higher than the average paid in the wider UK savings market. We are always delighted to welcome new savings members and expect we can pay new members higher rates of interest on their savings than they are currently receiving, particularly if they hold their savings with one of the main high street banks, such as Lloyds, Barclays, Natwest or HSBC.



At a time when other financial institutions in Penrith are announcing plans to close their branches, we remain fully committed to our branch service and maintaining our current opening hours. We understand the value our members place on being able to access face to face services and to be able to deposit and withdraw money safely and securely. We continue to offer mortgage advice on our range of mortgage products through our partnership with Mortgage Advice Bureau and we can do this face to face, by telephone or video call.

Whilst our service satisfaction scores are very positive, we are always striving to improve our service and we spent a lot of time in 2023 reviewing our communications and literature to ensure they are clear and easily understandable. This work, and a number of other actions underway to improve our service is being managed as part of the Consumer Duty initiative, an industry wide programme to improve outcomes for financial services customers.

A financially strong and secure Society

Whilst we strive to give the best possible rates on our savings and mortgage products, it is important that we remain financially strong and secure. I am pleased to report that this continues to be the case with us recording an appropriate level of profit in 2023 and maintaining exceptionally strong capital reserves.

Our profit was £432,801, which is 4.1% below our 2022 profit of £451,507.

Whilst the primary use of the savings our members deposit with us is for mortgage lending, we also hold a high level of deposits in liquid assets, so members can be sure that their money is available, as and when they need it.

Although many mortgage members have found the higher interest rate environment challenging, the importance of keeping up to date with payments and the pro-active work our Operations Team has undertaken to support those in difficulty has meant that our level of mortgage arrears remains very low. Arrears cases, being three or more months overdue, are four cases in total (compared to three in 2022) and represent 0.8% of our total mortgage book.



Investing in our People

The vast majority of our colleagues live in and around the Penrith area and we strive to be a good employer, offering colleagues secure employment and the opportunity to develop their skills and capabilities. Training courses are made available to all colleagues and this year we were delighted to welcome two new apprentices – Ollie and Josiah – who work with us four days a week and spend their fifth day at Carlisle College. The apprenticeship scheme is a great option for young people who do not wish to be a full-time student but are seeking to continue their academic development whilst developing real-life work skills. Josiah and Ollie (along with Lucy, our original apprentice) are making a fantastic contribution to our business and we are committed to offering further apprenticeships in the future.

I'd like to take the opportunity to say a huge thank you to all my colleagues for the very warm welcome they have given me and for their ongoing support to the Society. It is a great achievement to be able to run a complex and highly regulated business with so few people and it is the commitment of the whole team and the willingness to go the extra mile that helps ensure our continued success.

Supporting our community

In 2023 we supported a number of local charities, causes and community groups. These included Eden Carers, Eden Valley Hospice and Jigsaw, The Salvation Army Foodbank, Greener Every Day, Penrith Lions Club, Penrith & District Red Squirrel Group, Penrith Lottery and Sunbeams Music Trust. We also supported Penrith AFC Ladies and Penrith RUFC Juniors from a sporting perspective and were main sponsors for Penrith Show. In total we donated £22,364 in 2023 to local charities, community groups and good causes.

All of our colleagues are given two volunteering days a year to support the local causes closest to their hearts. In 2023, colleagues supported a range of community groups including Sunbeams Music Trust, Alzheimers Society, Riding for the Disabled, Penrith Lottery and The Salvation Army, and we participated in the 'BrightStars' initiative with High Heskett School.



Our Charity of the Year in 2024 is Cumbria Action for Sustainability (CAFS), whose Cosy Homes initiative offers practical advice and support to local people in need of help to reduce energy usage in their homes and bring down their energy bills.

In addition to our Charity of the Year, every month our colleagues select one or more good cause to receive our support. So far in 2024 we have donated 'sweet treats' to Penrith Mountain Rescue, the Great North Air Ambulance and the police, fire and ambulance services locally.

Looking ahead

Whilst continuing to serve our existing members, we are keen to grow our Society and increase the number of both savings and mortgage members. The strong financial performance of the last few years provides us with the opportunity to invest more into our products and services and give greater choice to new and existing members.

One of the ways we will be doing this will be to introduce online savings, so members can open and manage their savings accounts digitally, and offers an additional channel to visiting or contacting the branch. We will also be investing in our underlying systems to help ensure they remain fit for purpose and capable of supporting our growth ambitions.

We are not immune to the pressures of inflation, and we see the impact of that in all parts of our business. Whilst we strive to always seek more efficient ways of working that can help to mitigate the impact of this, we will see some inflationary impact in our cost base in 2024. Combined with the investment we are making in our systems, products and services, we are likely to see a reduced level of profitability in 2024, whilst still maintaining a very strong and healthy level of capital reserves.

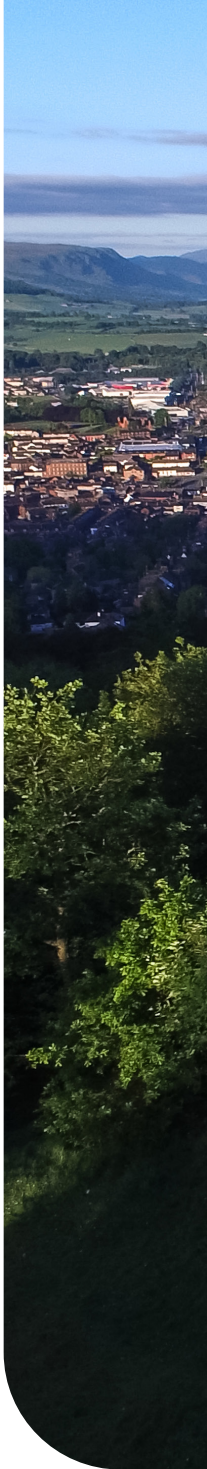
As has become the norm, the outlook for the UK economy is uncertain, with the additional political risk that an election year brings. 2024 is unusual in that not only will we see a general election in the UK, but we will also see a presidential election in the US and a number of important elections elsewhere around the world, which have the potential to bring a degree of volatility to the world economy.

Whilst recognising the potential disruption we may see to our economy and the markets we operate in, when thinking about the future direction of interest rates, we consider the most likely scenario for 2024 is that the Bank of England starts to reduce rates, and that this continues into 2025. If this does happen it is likely we will see the reverse of the trends of the last two years, with savings and mortgage rates falling, rather than rising. Whilst this will bring challenges for savers, it will offer some respite to mortgage members, particularly those who have a fixed term deal that will end in 2024 or 2025.

We will be holding our Annual General Meeting at the Penrith Parish Centre, St Andrew's Churchyard, Penrith at 11.00am on 18 April 2024.

We will be contacting all eligible members in advance of the meeting to invite you to join us, and I look forward to meeting as many of you as possible on the day. Please come and join us if you are able to, it's extremely valuable to hear the views of our members and by way of a small incentive we will have refreshments provided by the wonderful Café4Eden!

Zack Hocking (Chief Executive)
29 February 2024



Environment

We are looking closely at how we govern the Society and demonstrate our ability to effectively manage our environment and social impacts.



One of the steps we have taken on this journey is to enter a partnership with Cumbria Action for Sustainability (CAFS) and they are to be our Charity of the Year for 2024.

One of our first ventures was to find out about their **Cold to Cosy Homes** initiative and understand how it can help our members in ensuring that the home they live in is maximising its energy potential. Our colleagues attended **CAFS Energy Champions Training** to allow us to provide an introduction to the initiative, which looks to offer practical help in reducing energy usage (and therefore energy bills!) in the home. The service is free, and can provide energy saving equipment for your home, including 'Chimney Sheep' made from 100% local Herdwick wool, plus advice on bills and potential grants you could apply for to make your home energy efficient and much more!



CAFS
Cumbria Action for Sustainability

If you are interested in finding out more, we have lots of information in our branch so please pop in, or visit the CAFS website, cafs.org.uk or call them on 01768 216 500.

We will be also encouraging our colleagues to participate in fundraising events throughout 2024, which will vary from running and walking events, to bake and craft competitions, which reflects our commitment to the wellbeing of all our colleagues and the importance of a work-life balance. We will also be encouraging our members to support us in these events where possible to maximise our contribution to this great local charity.




If you're struggling to keep your home cosy, we can help.

Cold to Cosy Homes CUMBRIA

Call us on **01768 216500**

cosyhomes.org.uk



Greener Every Day

Looking for a greener savings account?

We have a special 'Greener Every Day' Junior Affinity Regular Saver account which 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.

Visit our website penrithbs.co.uk or call into branch for more information.

see you there!



welcome to the team

At Penrith Building Society, we're proud of our people. There have been a lot of new faces this year as we have looked to strengthen our team, so time to introduce the new starters!



Zack Hocking – CEO

I joined the Society in December 2023 having started my career as a Chartered Accountant and then spending the next 25 years in Financial Services, including 16 years with the Co-operative Financial Services. I live with my wife, three teenage daughters and family dog, Scout, in Altrincham.

When I'm not enjoying time relaxing with the family I love spending time with friends walking and running in the Lake District. I am currently working towards gaining my mountain leader qualification and am a keen supporter of the Duke of Edinburgh award scheme that helps introduce young people to the beautiful outdoors and supports the development of a whole range of life skills.



Josiah Jardine – Administration Officer (Operations)

I joined in August 2023 as an apprentice and am attending college each week to complete a business admin course. Before I enrolled in my apprenticeship, I was studying for my GCSEs at Keswick.

While attending Keswick School, I worked in a pub called Swinside Inn for two years where I met many good people and made many memories. I hope to do the same while working at the Society. Outside of work I enjoy mountain biking and spending time with my family and friends.



Panshul Tyagi – Technology Manager

I joined the Society in October 2023 in the Mortgage Team, having been the head of lending at a private bank in India. However, I have moved role to become our Technology Manager, using the knowledge I gained in studying for an MSc Finance at Lancaster University immediately prior to joining the Society.

Outside of work, I enjoy reading non-fiction books, learning about latest technology updates, watching documentaries and spending time with my young family.



Jude Robinson – Customer Representative

I joined the Society in October 2023 following a period working in retail. The role which brought me to Penrith originally in 2017 was to open the new Jigsaw Shop in Devonshire Street, for Eden Valley Hospice. Before that, I had an interesting and varied career including working for both Newcastle and Yorkshire Building Societies over many years.

My spare time is full of house renovations (it's almost finished!), working in and enjoying my garden, exploring the Eden Valley and the Lake District by car and on foot, and spending fun times with my friends and family – which usually involves lots of coffee and cake.



Ollie Reed – Business Administrator (Mortgages)

I joined the Society in November 2023 as an apprentice and, like Josiah, I attend college to study business administration each week. Prior to this I was working part-time in the FYR restaurant at North Lakes Hotel, whilst at Ullswater Community College's Sixth Form.

In my spare time I enjoy baking, spending time with my friends and going on weekend breaks with my boyfriend which always include a game of bowling or mini golf. I enjoy eating out, I love anything to do with food! I also enjoy going to the local cinema to watch films, I'm not fussy as to what they are, if they look good I will be there.





Lee Donnelly – Operational Risk Manager

I took on the new role of Operational Risk Manager in June 2023. I bring over 18 years of experience in retail banking, including 8 years of working across Cumbria and Lancashire as a Senior Manager for Lloyds Banking Group. I have already developed strong working relationships and established myself as a point of contact, working with each department to develop our management of risk.

In my spare time I have a real passion for travelling, always browsing and planning for my next getaway!



Tim Bird – Compliance Officer

Previously a laboratory technician, I joined in June 2023 for a complete change in career. I have really settled into the team and enjoy my new role, learning about regulatory requirements and using that to help the business operate safely within the regulatory environment.

When I'm not at work I am a keen photographer and a big fan of all things film and movie related.



Rachel Glendinning – Mortgage Case Officer

I joined the Society in July 2023 and I am now studying to complete my CeMAP qualification to become a Mortgage Advisor. Previously, I worked at Eden Eyecare, an independent opticians in Penrith, as an Optical Advisor, so this is a very different career path for me!

In my spare time, I am usually either at my local CrossFit gym, up in the Lake District fells or at a motorsport rally somewhere in the UK.

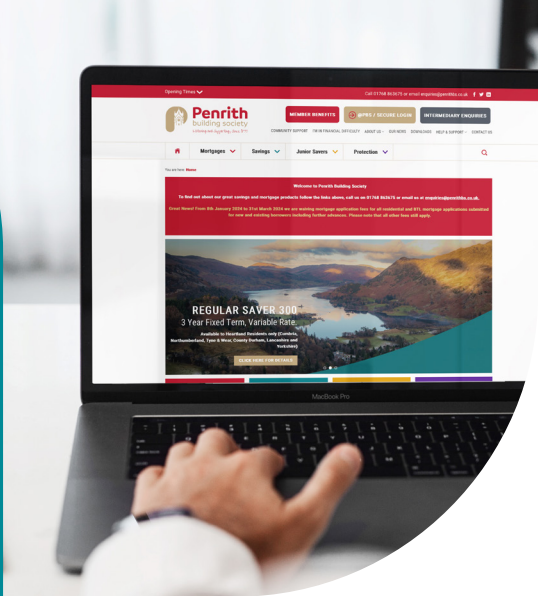


Tim Vigeon – Head of Product Distribution & Development

I joined the Society in November 2023. I have worked in a number of roles, most recently in business development at Darlington Intermediaries, and prior to this as Head of Lending at Buckinghamshire Building Society. Although I live in London, I am a Carlisle United fan and try to go to away games where practical.

Most weekends, you will find me in the New Forest, enjoying the hospitality and walking on the coast.

A warm welcome to all our new starters



Over the past year we have continued to grow our digital capability along our key themes of access to savings and choice of communications – using best in class security to protect your personal data.

Whilst we are committed to retaining our branch presence, we understand that choice in the way our products and services are accessed is very important to our members.



Whether you choose to take advantage of branch based or online services or both, we are committed to giving you choice in the way you receive communications. Our partnership with docStribute® which we launched last year, allows us to provide you with a secure digital communications channel and we are continuing to expand this to more services for our saving and mortgage members. Its important that you keep us up to date with your contact preferences so we retain up to date contact details for you and also so that you can benefit from these digital services as they come online.

To review or update your contact preferences with us please contact us in branch, email us at support@penrithbs.co.uk or call us on 01768 863675 Option 4.

Over the next year, we will be concentrating on building and improving our digital member services, including a refreshed website featuring online access to great products, services and help tools to help you get maximum benefit from your membership with us.

If you would like to be kept informed of new products and services as we introduce them let us know using one of the contact methods above. If you are registered for our online banking services already, you can update your preferences in the portal.



Community round up for 2023

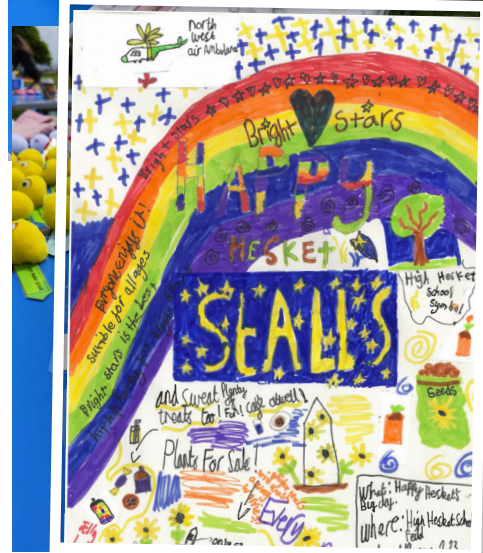
2023 gave us many opportunities to work with community groups, causes and charities that are close to our heart. As always, we are grateful to our members who support us in these activities and to our staff for their enthusiasm and commitment in participating as a volunteer with charities and at local events.

Here are a few of our 2023 highlights!

This was our second year working with the **Centre for Leadership Performance's 'Bright Stars'** programme which partners local businesses with schools to help pupils choose and develop business ideas and grow an initial £50 investment.

This year we partnered with **High Heskett School** and several of our staff helped with their events management business 'Happy Heskett Stalls'. The class had various business ideas including raising plants from seeds, creating funfair type games and recycling their toys and books to sell at their 'Summer Fair' event for their school friends and families. There was also a Bingo Bonanza which was great fun!

We were very proud when we found out they had been awarded the winners of the **'Most Profitable Social Enterprise'** category and they raised a total of **£1,668.27 for the Great North Air Ambulance and their school.**



Eden Dementia Friendly Communities Partnership

In July we were pleased to be part of the launch of a new initiative for people living with dementia and their carers.

The Eden Dementia Friendly Communities Partnership was launched in conjunction with **Westmorland and Furness Council** and **Dementia Friends** and saw a number of participants getting together to showcase help and support in the area.

Heather and Wendy went along to provide information on how we here are dementia friendly in the services we provide to our members.

Affinity Accounts

We continue to support our affinity partners with our range of adult and junior affinity accounts. The 2023 annual dividend payment totalled £6,522 and was split between **Eden Valley Hospice and Jigsaws, 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.



Penrith Show 2023

July 2023 saw us in the heart of our rural community as **Principle Partner of the Penrith Agricultural Show** - sadly the sun did not take to the field but despite the rain and mud we had a great day - definitely a challenge - but it was fantastic to see everyone still enjoying the day and all credit to the Show Committee for ensuring that the Show went ahead safely and successfully.

We were able to showcase our Affinity partners and we again shared our stand with the **C&W Herald**. We jointly ran a photography competition with entries being made to the Herald for final judging. The competition highlighted our rural county in its finest and the winner of the under 16 category was **Ellen Banks** with a great photo of her feathered friend Bubbles.



As always, we were proud to be part of an event so important in our local rural community!



Other Charity Fundraising

Throughout the year we took the opportunity to raise funds in a number of areas. In December we collected amongst the staff for the **Salvation Army Foodbank** (pictured right) and wore our Christmas jumpers for charity. We were also a collection point for the **Cash for Kids Mission Christmas campaign**, collecting gifts so that children in our area would have a present to open on Christmas Day.

We were active in our local schools with our ongoing provision of financial education workshops with the charity **Wizeup**, which help pupils to prepare for the financial challenges they will face as they grow and develop into young adults.

Clare, our Engagement Manager (pictured below), did a sponsored skydive in aid of the **Alzheimer's Society**, a crazy thing to tackle for an amazing cause – we were all very proud of her.



Keep up to date with our latest thoughts and news on  

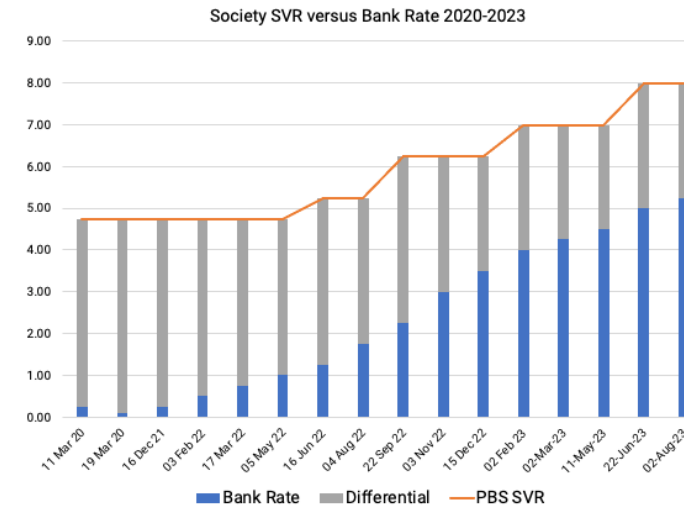
Strategic Business Review 2023



We finished 2023 with a level of profitability consistent with 2022, however our balance sheet contracted as a result of savings outflows throughout the year. We saw a reduction in mortgage lending in the second half of the year, but maintained our mortgage balance sheet position year on year as a result of strong retention activity across the book.

The increase in bank base rate and the uncertain economic conditions gave rise to a challenging year for us, and our cost base was hit by higher inflation putting costs across all areas up significantly. Therefore to report the results we have seen, particularly around our key performance indicators in profitability, liquidity and capital, has been a positive outcome.

We recognised the impact that inflation and a rising bank base rate was having on our members, and increased our rates payable on savings accounts as far as possible throughout the year, across the entire range.



As can be seen from the graph, we have moved our Standard Variable Rate (SVR) up by 3.24% since 2020, in comparison to the bank base rate rises of 5.00% in that period, to help, as far as possible, our mortgage members struggling with rising costs.

We will face into a difficult trading period in 2024 as a result of the contraction to our balance sheet in 2023.

Our cost base will increase as we invest in our technology, to remain relevant for the future, and our colleagues, who are our most important asset for the personal service we know our members value. As the bank base rate starts to fall from the peak we believe it has reached, we will see compression on our net interest margin, and we are forecasting a dip in profitability in 2024, which we will absorb through our strong capital position.

At Penrith Building Society, we consider our reason for being as part of our strategy discussions each year, and have retained our purpose and values in 2023 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 that supports 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

We use a number of key performance indicators to measure and monitor our progress on an ongoing basis. These have been summarised and explained within this document, with associated graphs showing the trend in these metrics over the past five years.

Income and Expenditure

We made a profit for the year after taxation of £0.43m (2022: £0.45m).

Total income is £3.28m, compared to £2.90m in 2022. The net interest margin increased from 2.16% to 2.43%, but remains an area of focus to ensure we remain fair to both our members with both savings and mortgage rates as we move into a more stable outlook in the bank base rate environment. We monitor our competitor activity, particularly with savings products, to ensure we are pricing with the market.

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

Management expenses including depreciation are £2.70m (2022: £2.34m), an increase of 15.38%. Management expenses expressed as a ratio of mean total assets are 2.02% (2022: 1.77%). The increasing trend in management expenses reflects our investment in our technology infrastructure this year, to position us for the strategic move into online savings in early 2024 and the evolution of our digital presence. A number of changes made to support our data and cyber security management will also benefit our operational resilience environment, an area of focus by the regulator as we move towards 2025.

Investment in our people remains key and 2023 saw a number of new colleagues in our Risk, Savings and Mortgage teams. We also employed two further apprentices as part of our commitment to develop our own talent and we had continued success in academic qualifications achieved across the business.

We also took positive steps to widen our focus in our local community, forging new links with a local charity whose vision is that of improving sustainability in our heartland mirroring our goals to further develop our own economic, social and governance strategy.



Total assets



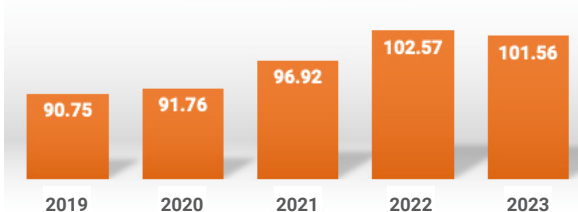
Competition in the savings market increased due to the rising interest rates, and we saw the impact of this in lost members in the first half of 2023, when our rates in ISA and Notice accounts fell below the 'Best Buy' peaks we had seen in late 2022.

We had a fall in asset growth of 6.02% (2022: 8.90% increase), as a result.

We are seeing a move to fixed rate savings, as members look to try and lock in higher rates before the bank base rate starts to fall again, and we are responding to this with new ISA products in early 2024. We continue to actively monitor savings rates in the market and adjust our pricing to remain in line with the market as far as possible across our entire savings range.

Mortgage activity saw strong retentions of existing mortgage members, however new lending was more challenging as the market rates continued to rise and discounted variable rates, on which our main mortgage business is based, became less attractive in the market.

Mortgage assets (£m)



Despite this trend, our mortgage assets reduced by just 0.98% (2022: 5.83% increase) and as the bank base rate starts to reduce we expect some increase in the demand for non fixed rate mortgages where mortgage members are prepared to speculate on improving discounts compared to the fixed rate environment.

We advanced 127 (2022: 157) new loans at a total value of £15.98m (2022: £22.17m), of which 17 were further advances (2022: 24).

Our subsidiary continues to allow us to provide direct advice to mortgage members, many of whom are based in our heartland. These cases represented 23.00% of our new mortgage business in 2023 (2022: 25.70%).

The bank base rate increases, introduced by the Bank of England to control inflation saw us increase our rates on both sides of the balance sheet. We consciously have not moved our mortgage rates with each bank rate increase, but considered where our product range needs to be to both attract new mortgage members, and importantly retain our existing ones.

The outlook for 2024 presents new opportunities as rates appear to have stabilised and the market anticipates a reduction from mid year. Falling inflation and energy prices expected this spring should assist with easing pressures seen on household spending and saving. Additionally, reductions in house prices are now forecast to be minimal, which in turn should lead to an increase in mortgage activity as mortgage members may view the improving economic shift as a good time to move or buy their first home.

We will review our position in the mortgage market, reacting where necessary to keep pace, but we will also consider the importance of our savings members to fund our mortgage growth, responding to their needs accordingly to ensure their continued loyalty.

Liquid assets fell to lower levels towards the end of 2023. We finished the year on a good liquidity ratio of 22.84% of total shares and borrowings (2022: 27.02%).

Arrears Performance

At the end of 2023, the arrears over three months on our mortgage book was just four cases (2022: three cases), of which one case was more than twelve months in arrears (2022: zero cases). One case (2022: four cases) had forbearance measures in place at the year end. We had no properties in possession in 2023 (2022: none). As a result of the strong arrears management, we have kept our loan loss provisioning unchanged from 2022, at £0.19m.

We remain cautious as to the potential for some 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 based 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 our 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 mortgage members and are aware that for some the full impact of rising bank base rates has yet to materialise. We offer constructive assistance and forbearance to mortgage members in financial difficulty and maintain a personal approach, which our mortgage members prefer, allowing us to develop a better understanding of their needs and individual circumstances.

Capital



At 31 December 2023, our total capital is £12.98m (2022: £12.55m). A strong level of capital is maintained to ensure we are protected against any adverse changes in economic conditions or 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 increased to 10.76% of total shares and borrowings (2022: 9.64%). Additionally, the gross capital ratio (being general reserves) amounted to 11.16% of total shares and borrowings (2022: 10.03%).

The increases have arising due to the strong profitability on a contracted asset base. Both capital ratios remain strong for the building society sector overall.

Capital (£m)



	2023	2022
	£m	£m
Tier 1 capital (after regulatory deductions)	12.86	12.42
Tier 2 capital	0.17	0.18
Total capital	13.03	12.60
Risk weighted assets:		
Liquid assets	4.95	6.58
Loans and advances	36.90	37.82
Other assets	1.56	1.62
Operational risk	4.89	4.33
Total risk weighted assets	48.30	50.35
Capital ratios:		
Core tier 1	26.62%	24.67%
Leverage	9.85%	8.80%

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, penrithbs.co.uk

Country by Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013, place certain reporting obligations on financial institutions that are within the scope of the Capital Reporting Directive IV (CRD IV). The purpose of the regulations is to provide clarity on the source of our income and the location of our operations. The annual reporting requirements as at 31 December 2023 are included in the full Annual Report and Accounts.

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 2023 we have continued our work to embed an operational resilience framework, being the ability to withstand stress across all areas of the business, along side other priority projects including our implementation of the Consumer Duty regulation, which has seen a focus on our Operational and Conduct risks and their impact on our products and services to members.

We monitor all our Core risk areas through the Board and sub-committee structure. Dashboards for all risk areas are presented at least quarterly to 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, Technology, Conduct, Liquidity, Funding (including Interest Rate), Cyber, Data, Model, and Fraud and Financial Crime.

Creditor Payment Policy

Our policy is to agree the terms of payment at the commencement of trading with each supplier, to ensure that they are aware of those terms and to abide by them. Where terms of payment have not been agreed we settle the supplier's invoice on being satisfied that the supplier has fully conformed with the terms and conditions of purchase. Creditor days were 10 at 31 December 2023 (2022: 12 days)



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 £22,364 (2022: £24,853) 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**
Senior Independent Director
- **Richard Drinkwater**
- **Janice Lincoln**
- **Nikki Marsh**
(appointed 1 March 2023)
- **Fiona Smith**
(appointed 1 September 2023)
- **David Billinge**
(appointed 1 February 2024)

EXECUTIVE DIRECTORS

- **Zack Hocking**, *Chief Executive*
(appointed 4 December 2023)
- **Tim Bowen**, *Chief Executive*
(resigned 22 November 2023)
- **Elsbeth James**, *Finance Director*

All Directors retire on an annual basis and offer themselves for re-election. Janice Lincoln has served on the Board for a period in excess of nine years, however we have satisfied ourselves that she remains independent within her role at the Society. 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 from which he received fees amounting to £14,209 up until his resignation on 22 November 2023. No fees were provided to the Society.

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 all colleagues for their hard work and loyal service during what has been a further challenging year.

The Board encourages the personal development and training of all colleagues to ensure that they have the opportunities to gain sufficient expertise, qualifications, and relevant skills to provide the standard of service required. Wherever appropriate our colleagues 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 other colleagues 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

On the 5 January 2024 one mortgaged property was taken into possession. (2022: zero) The Directors do not consider that this event since the year-end has a material effect on the financial position as disclosed in the Annual Report and Accounts.

Approved and signed on behalf of the Board
Zack Hocking (*Chief Executive*)
and Will Lindsay (*Chair*)
29 February 2024

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 22 March 2024.

SUMMARY OF KEY FINANCIAL RATIOS

	2023	2022
Gross capital as a percentage of shares and borrowings (Note 1)	11.16%	10.03%
Liquid assets as a percentage of shares and borrowings (Note 2)	22.84%	27.02%
Profit for the year as a percentage of mean total assets (Note 3)	0.32%	0.34%
Management expenses as a percentage of mean total assets (Note 4)	2.03%	1.77%

GROUP SUMMARY FINANCIAL STATEMENT

For the year ended 31 December 2023

RESULTS FOR THE YEAR	2023 £	2022 £
Net Interest Receivable	3,202,432	2,831,339
Other Income and Charges	75,333	71,864
Administrative Expenses	(2,704,868)	(2,340,336)
Provisions	-	(13,000)
Profit for the Year before Taxation	572,897	549,867
Taxation	(140,096)	(98,360)
Profit for the Year	432,801	451,507

FINANCIAL POSITION AT END OF YEAR	2023 £	2022 £
ASSETS		
Liquid Assets	26,576,605	33,815,214
Mortgages	101,564,207	102,574,523
Fixed and Other Assets	1,561,781	1,616,944
Total Assets	129,702,593	138,006,681
LIABILITIES		
Shares	112,788,736	121,761,352
Amounts Owed to Credit Institutions	507,018	504,701
Amounts Owed to Other Customers	3,039,159	2,881,776
Other Liabilities	383,620	307,593
Reserves	12,984,060	12,551,259
Total Liabilities	129,702,593	138,006,681

Approved by the Board of Directors on 29 February 2024

and signed on its behalf by:

Will Lindsay (Chair), **Janice Lincoln** (Director)
and **Zach Hocking** (Director, Chief Executive)

NOTES TO THE SUMMARY FINANCIAL STATEMENT

- 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.
- 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.
- 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.
- 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 6 month and 9 month notice period respectively.

Fees for services as Non-Executive Directors	2023 £	2022 £
Rod Ashley	18,058	17,077
Richard Drinkwater	18,058	17,077
Janice Lincoln	18,661	17,647
Will Lindsay	22,416	21,197
Nikki Marsh <i>(appointed 1 March 2023)</i>	15,157	-
Kevin Parr <i>(resigned 31 October 2022)</i>	-	14,176
Fiona Smith <i>(appointed 1 September 2023)</i>	6,092	-

Total for Non-Executive Directors	98,442	87,174
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For services as Executive Directors:

	Salary	9,615	-
Zachary	Bonus	-	-
Hocking <i>(appointed 4 December 2023)</i>	Benefits and Allowances	500	-
	Pension Contributions	481	-
		10,596	-

	Salary	110,865	117,584
Tim Bowen <i>(resigned 22 November 2023)</i>	Bonus	-	7,157
	Benefits and Allowances	7,388	6,164
	Pension Contributions	5,529	5,879
		123,782	136,784

	Salary	80,977	75,688
Elspeth James <i>(works on a four-day contract)</i>	Bonus	4,918	4,607
	Benefits and Allowances	858	2,783
	Pension Contributions	3,983	3,784
		90,736	86,862

Total for Executive Directors	225,114	223,646
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Total for Directors Emoluments	323,556	310,820
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Approved and signed on behalf of the Remuneration Committee, Richard Drinkwater (Non-Executive Director), 29 February 2024

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 2023 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 2023.

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 2023 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
29 February 2024

mazars

Email enquiries@penrithbs.co.uk www.penrithbs.co.uk



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the people of Penrith
and beyond since 1877



Annie Mawson's
Sunbeams
Music Trust



Directors:
Rod Ashley
Richard Drinkwater
Zachary Hocking
Elspeth James
Janice Lincoln
Will Lindsay (Chair)
Nikki Marsh
Fiona Smith

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: Zack Hocking
Finance Director: Elspeth James
Secretary: Sue Askew



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

E: enquiries@penrithbs.co.uk
W: www.penrithbs.co.uk



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