Penrith building society
Listening and supporting since 1877

# 2024

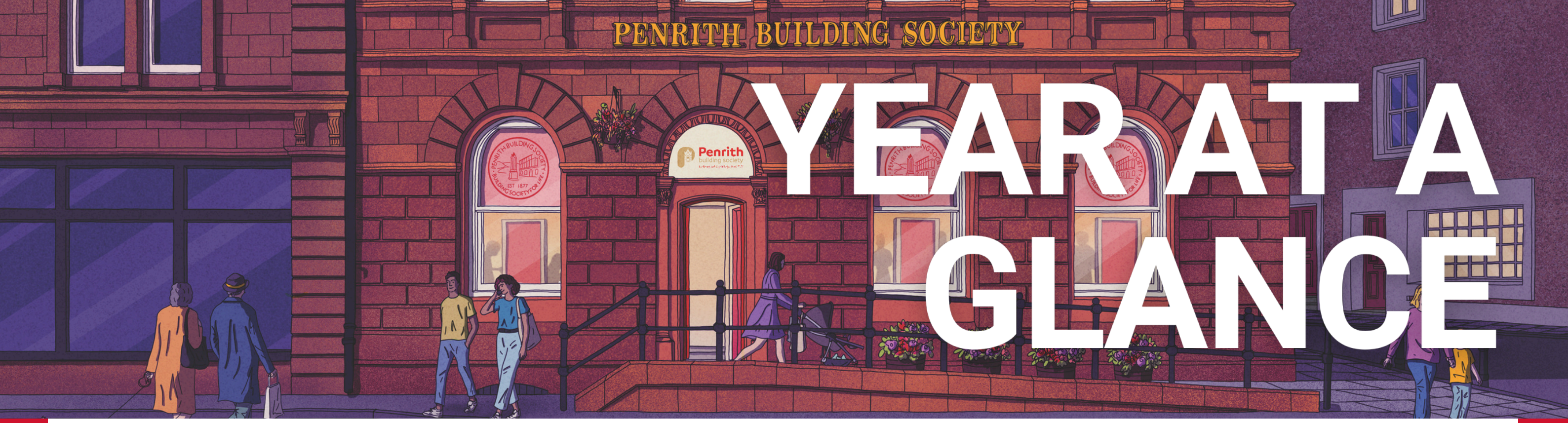
## our year in review


# Annual Review & Summary Financial Statement

# 2024 Contents



**AGM: 10am,**
**Friday 11th April at**
**Penrith Parish Centre,**
**St Andrew's Place**




# YEAR AT A GLANCE

Society membership increased to more than **9,000** at the end of the year!

feefo customer rating **4.8/5**

**15%** growth in Savings balances

launched new website & digital savings offering

**10.3%** growth in Mortgage balances

**15** local charities & community groups supported with donations

# Message from our Chair, Will Lindsay

Dear Members

I am delighted to welcome you to our Annual Review for the year ended 31st December 2024.

Hopefully as many members as possible will take the opportunity to meet me, my fellow Directors, the Society's Executive Team and our staff for our **Annual General Meeting (AGM) at the Penrith Parish Centre, in St Andrew's Place on Friday April 11th at 10.00am.**

I would like to thank **Zack Hocking** our Chief Executive and **Elspeth James** our Chief Financial Officer as well as the other members of our Executive Team, **Louise Watt**, and **Sue Askew** who together provided leadership and stability to the Society during the last 12 months. With the support of the wider team the Society has delivered good outcomes for members during what has been another challenging year.

I also thank the other members of our Board who continue to provide great support, including **Janice Lincoln**, who retired during the year.

The Society **continued to operate profitably during 2024**, although with profits at a lower level than seen in 2023 due to rising costs and the need to ensure our mortgage and savings rates remain competitive and offer good value to our members.

Financial performance is of course only part of the story of Penrith Building Society. Ensuring we continue to deliver great service and products that help our members achieve their home ownership aspirations and savings goals is central to our purpose, whilst maintaining financial support for local charities and volunteer groups is an important part of the positive impact we seek to have on our community.

Looking ahead, I expect that many of the current global environment and economic challenges I talked about last year will continue throughout 2025. Our culture and the commitment we show in discharging our environmental, social and governance responsibilities are key to ensuring we can respond to those challenges and continue as a thriving and sustainable business.

You can be assured that our Society will continue to make the right decisions in terms of keeping our business safe and looking after you, our members, who **I thank for your continued support.**

The upcoming AGM **marks my retirement as Chair and from the Board of the Society**. It has been a pleasure to serve you and I know that with my successor, **Rod Ashley**, the Board and the wider team at the Society, you are in good hands.

**Will Lindsay** *(Chair)*
**March 2025**

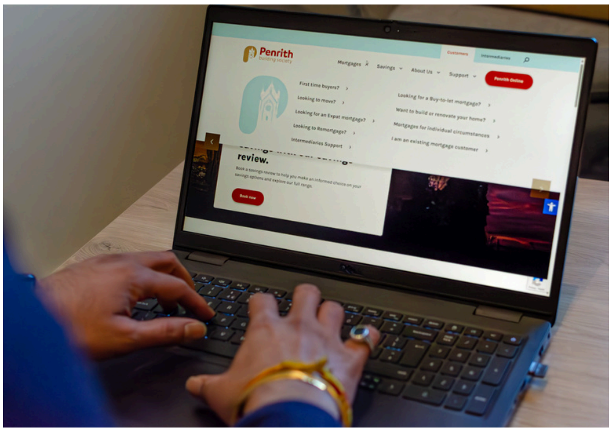
# Report from our CEO, Zack Hocking

Following several years of high inflation and rising interest rates, in 2024 we finally saw inflation moving much closer to the target 2% level and the first reductions in interest rates in more than four years, which had a direct impact on our mortgage and savings product rates. We announced a reduction in our Standard Variable Rate for mortgages immediately after the first Bank of England Base Rate reduction, benefiting the vast majority of our mortgage customers. However, a change that benefits mortgage customers will inevitably mean changes that disadvantage savers, and we have also reduced interest rates on a number of our savings products. If interest rates continue to fall in 2025, it is likely that we will make further changes to both mortgage and savings rates, although at present savings rates continue to be greater than the rate of inflation, meaning that savers are receiving 'real' returns, despite the fall in the headline rate.

We benchmark the rates on our products to the wider market and where data is readily available, such as for access savings accounts, members can be assured that our rates are comfortably above the average rates paid in the UK savings market.

In a year when other providers in Penrith (Lloyds, Halifax and Barclays) chose to close their branches, we remained fully committed to our branch service and maintaining our opening hours. This commitment continues into 2025 and beyond. 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 subsidiary Cumbria Mortgage Centre Limited partnership with Mortgage Advice Bureau and we can do this in branch, by video call or by telephone.

In 2024 we launched our first digital savings products, allowing members the opportunity to open and manage savings accounts on-line, without needing to visit the branch. We know that many members have wanted to see this service offered for a long time and we are delighted to have opened nearly 500 on-line accounts in the first five months of providing this service.




As we increase the range of products and services it is essential that we continue to offer high levels of service and I am very pleased that our feefo customer rating stands at an excellent 4.8 out of 5. However, we know that there is always room for improvement and we will be working hard to improve our service to members in 2025.

## 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 the Society remains financially strong and secure. I am pleased to report that this continues to be the case with the Society recording a profit in 2024 and maintaining very strong capital reserves.

Our profit level was lower in 2024 than 2023, reflecting higher costs in a number of areas, particularly relating to technology costs, regulatory and compliance costs and the impact of inflation. Our net interest margin (the difference between what we pay on savings and what we receive on mortgages) narrowed slightly, which also brought some pressure to our net income.

Over the coming years it is important that we grow our business; increasing the mortgage and savings balances to help generate more income, which in turn will help us manage the ongoing cost and margin pressure. We began this journey in 2024, growing our mortgage balances by just over 10% and our savings balances by 15% and we are well positioned to increase these growth rates in 2025.

Our core banking platform – the technology system that we use to operate our business – is approaching the end of its useful life and over the next three years we will be upgrading our technology to ensure we have a robust and sustainable banking platform. This will represent the largest investment in the history of the Society and it is a course of action many other building societies are needing to undertake at the same time as ourselves, and so we will be working alongside other societies to help deliver this transformation programme.

As a result of this investment, we are forecasting our costs will exceed the income we generate for at least the next two years. It is thanks to the many years of profitability for the Society that we are in a position to be able to afford to do this, as we have very strong capital reserves and we can now use these reserves to help invest in the future strength and resilience of the business.


I would like to recognise the contribution of our outgoing Chair, Will Lindsay for his commitment and dedication to the Society over the last 9 years and I look forward to working with the new Chair, Rod Ashley.

Finally, I would like to thank everyone at the Society for their hard work and ongoing commitment to serving our members and I would like to thank all of our members for their continued support of the Society.

**Zack Hocking (CEO)**
**For the year ended 31 December 2024**

# Incoming Chair Rod Ashley

Having served as our Senior Independent Director for a number of years, we are delighted that Rod is taking up the role of Chair following our Annual General Meeting.

As well as his time at the Society, Rod has served as the Chief Executive Officer at a number of different financial institutions, including Alba Bank, Airdrie Savings Bank and Scotwest Credit Union and is extremely well placed to guide the Society over the coming years as we progress our growth and transformation plans.

Rod comments “I am delighted to take up the role of Chair at this important time in the Society’s history. I am a passionate supporter of the Building Society Sector and look forward to working with the Executive Team and the Board to ensure the Society continues to deliver on it’s core purpose of enabling the home ownership aspirations and savings goals of our members.”

“I’d also like to offer my own thanks to Will for his outstanding dedication and service to the Society over the last 9 years and I look forward to building on the strong foundations Will has put in place during his time as Chair.”

# Staff Update

We are pleased to congratulate Lucy Hodgson (Management Accountant) and Rachel Glendinning (Mortgage Manager) for their significant academic achievements over the past year.

Lucy successfully completed her Professional Accounting Technician apprenticeship, earning the AAT Level 4 Diploma in Professional Accounting with merit.

Rachel, meanwhile, achieved excellent results in her Certificate of Mortgage Advice and Practice (CeMAP) at the beginning of 2024, earning two Distinctions and one Merit overall. She is now progressing with the MAB Academy, working towards becoming a regulated Mortgage Advisor.

# Long Service Award Celebration

2024 marked a significant year for the Society as we celebrated several incredible staff milestones. It was a wonderful opportunity to recognise these achievements, as well as those we missed during the pandemic.

The event was a lovely afternoon and provided a chance to express our heartfelt thanks to some exceptional team members who have been with us for remarkable lengths of time.

Our longest-serving staff members were Barbara and Christine, each reaching an extraordinary 45 years of service. Over the decades, they contributed to various areas of the business but were best known to our members as integral parts of our long-standing branch team. Christine has now retired, and we wish her a long and happy retirement.

Next, we celebrated Sue, our Risk Director and Secretary, and Wendy, our Risk and Compliance Support Officer, who reached 42 and 40 years of service respectively.

Heather, our Finance and Operations Manager, reached 35 years of service, joined by Fiona, our Head of Operations, who also celebrated the same milestone.

Louise, our Technology & Operations Director celebrated 30 years, having left and returned to the Society more recently.

Adding to the branch team's legacy, Lesley, our Senior Customer Representative, celebrated 25 years of service.

Finally, we recognised two staff members for reaching the 10-year mark: Elspeth, our Chief Financial Officer, and Hannah, one of our Mortgage Managers.

# Environment **Update**

In 2024 we worked closely with our Charity of the Year, Cumbria Action for Sustainability, providing them with significant financial support and helping to raise the profile of their important work.

A large part of this support was promoting their 'Cold to Cosy Homes' initiative, which provides free advice to people worried about how they can afford to heat their homes and practical support to help reduce energy bills, for example by providing a free draught-proofing service and fuel vouchers.

Climate change is a critical issue for our region and it is important that we play our part in helping to tackle the climate crisis. During the year we provided climate and carbon literacy training to all of our colleagues and are in the process of undertaking a carbon audit of our Society, to ensure we understand our current baseline.

This work provides the foundation for one of our key priorities in 2025: developing our plan to become first carbon neutral, and then a net zero business.

We supported 15 local charities and community groups in 2024 and this level of support will continue in 2025. Every month, our colleagues select a local good cause to receive a financial donation.

# Celebrating our Community

2024 was a year full of exciting opportunities to connect with and support the causes, charities, and community groups that are close to our hearts. We are incredibly grateful to our members for their ongoing support and to our passionate and dedicated staff, who have embraced volunteer opportunities with local charities and events throughout the year.

One of the highlights of the year was continuing our partnership with the Centre for Leadership Performance's Bright Stars programme, which we've proudly supported for three years now. This initiative brings local businesses and schools together to help students brainstorm and develop their own business ideas, while managing a £50 investment. This year, we had the pleasure of working alongside Langwathby School to help inspire the next generation of entrepreneurs.

2024 also saw the launch of our Colleague Engagement Team, a key initiative from our People Plan. This team meets bi-weekly to discuss which charities will receive our monthly £250 donations, further strengthening our commitment to giving back to the community.

We've continued our support for our affinity partners through a variety of adult and junior affinity accounts. Thanks to the dedication of our members, the 2024 annual dividend totalled £7,059 and was distributed across a number of local causes, including Eden Valley Hospice & Jigsaw, Cumbria's Children's Hospice, Penrith Lottery, Annie Mawson's Sunbeams Music Trust, Penrith & District Red Squirrel Group, Penrith RUFC Juniors, and Greener Every Day. A big thank you to all our members who contribute to these accounts and make these donations possible.

As we continued to champion our Charity of the Year, Cumbria Action for Sustainability (CAfS), we hosted various fundraising events throughout the year, including a bake sale and a book lending library at our branch. In addition, seven of our staff and two family members took part in a charity walk along the stunning Ullswater Way. Together, we raised over £700 for CAfS, furthering their important work in the community.

2024 was a year of connection, giving, and making a real difference, and we're excited to continue our journey of community involvement and support in the years ahead.

If you are involved with a local community group or charity and would like to be considered for one of our monthly donations during 2025, please contact Clare Harrison, our Engagement Manager, at clare.harrison@penrithbs.co.uk.

# Digital Update - Penrith Online

As part of our commitment to improving and increasing our digital capabilities for the benefit of our members, in 2024 we launched our digital savings platform, Penrith Online.

Whilst we are committed to retaining our branch presence, we wanted to offer a choice of convenient and accessible ways to engage with our existing membership and to attract new members in our local and heartland communities.

Choosing digital services has a number of benefits:

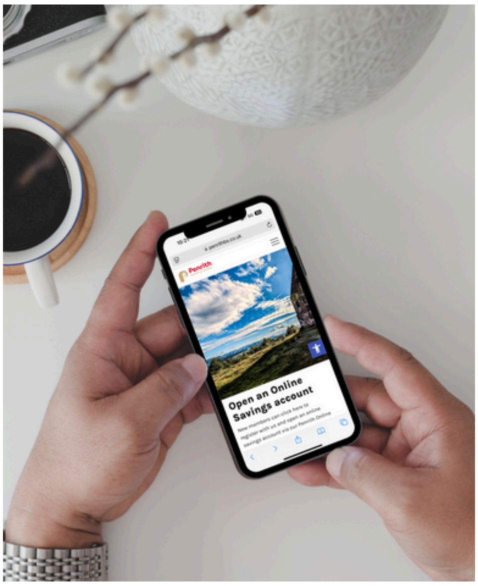
- Keep track of your savings - The ability to log in and manage your accounts at a convenient time for you
- Stay in touch – A secure messaging facility
- Go Paperless - we will deliver your account statements digitally
- Electronic transactions – payments into and out of your account directly to your nominated bank account

Penrith Online is available for existing and new members. If you have a branch-based account, you can use Penrith Online to view your account balances and to message us securely if you have any questions relating to your account or your membership. If you are an existing member, you can open a digital savings account quickly and easily directly from your Penrith Online portal.

Existing and new members can choose from the same range of products available exclusively online. You can also mix and match your accounts – there is no barrier to having branch based accounts and those you manage online.

The development of Penrith Online is a key feature of our future plans for maintaining accessibility, and taking advantage of technology developments to improve our products and services to you.

If you have not registered for Penrith Online you can do so by visiting www.penrithbs.co.uk/savings/online-savings/




Once registered, you can take advantage of all the benefits above, safe in the knowledge that our secure portal is protecting your data 24/7.

We are always keen to hear feedback from our members – it drives our commitment to continual improvement of our services to you.

If you would like to submit feedback on your digital savings journey with us, you can do so by sending an email to support@penrithbs.co.uk

# Strategic Business Review 2024

We consider our reason for being as part of our strategy discussions each year, and refreshed our purpose and vision in 2024 as follows:

**Our purpose** - is to enable the home ownership aspirations and savings goals of our members.
**Our vision** - is to be a thriving, modern and sustainable Society. We want to be a great place for all of us to work, grow and develop; and we want to make an increasing contribution to the communities we operate in.

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

Our primary business objectives:

- To maintain robust operational systems and processes and ensure risks are managed within risk appetite.
- To achieve the Board agreed commercial and financial targets.
- To ensure we deliver year on year improvement in our service experience to members and brokers.
- To ensure the Society is a great place for colleagues to work, grow and develop.
- To maximise the positive contribution we make to our local community and minimising our impact on the environment.

We recorded a profit in 2024, albeit at a lower level than we recorded in 2023 as a result of lower income and increased costs in a number of different areas including technology, staff, regulatory and compliance and as a result of general inflationary pressures. This cost pressure will continue and so it is essential that we grow our balance sheet to help increase the income generated by the Society. It is pleasing to report a good level of growth due to increased mortgage lending and strong savings inflows, particularly in the second half of the year following the successful launch of our digital savings channel.

Although we did not see the benefit of this growth in our income in 2024, it provides us with a stronger position as we move into 2025 and beyond. Despite the lower profitability, our capital and liquidity positions continue to be very strong, providing a foundation for us to move into a period of increased investment and transformation of our core banking platform.

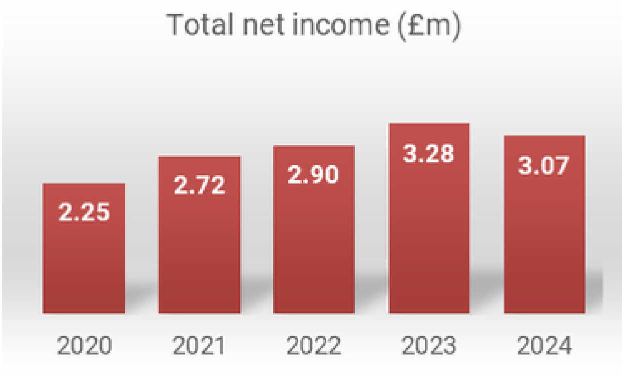
**Key Performance Indicators**

We use a number of key performance indicators to measure and monitor our progress on an ongoing basis. These are summarised and explained below, with the accompanying 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 £0.09m (2023: £0.43m).

Total net income is £3.07m (2023: £3.28m).




We increased interest received from both our mortgage and treasury assets, driven by growth in the mortgage book, although this was offset by the cost of interest paid on our savings balances, which reduced the total net income and our net interest margin, which fell to 2.22% (2023: 2.43%).

Margin management is a key area of focus to ensure we remain fair to both our savings and mortgage members in the rates we offer and continue to be competitive in the market.

Management expenses including depreciation are £3.04m (2023: £2.71m). Management expenses expressed as a ratio of mean total assets are 2.20% (2023: 2.03%). The rise in management expenses reflects the ongoing investment in our business to help support our growth ambitions and we expect to incur substantial technology costs in 2025 and 2026 as we renew our core banking system. As a first step, we have disposed of our minority share holding in Mutual Vision Technologies Limited in October 2024, to enable that business to raise external funding to support the development of the new core banking platform, of which we will be a customer. The cost of regulatory and compliance activity is disproportionately high for a Society of our size and we are focused on improving the efficiency of this spend.

Investment in our colleagues is key to our future success, we are increasing our headcount in early 2025 to support our growth and transformation journey. We remain committed to developing our own talent and we had further success in 2024 in the academic and business qualifications achieved by our colleagues, particularly our apprentices.

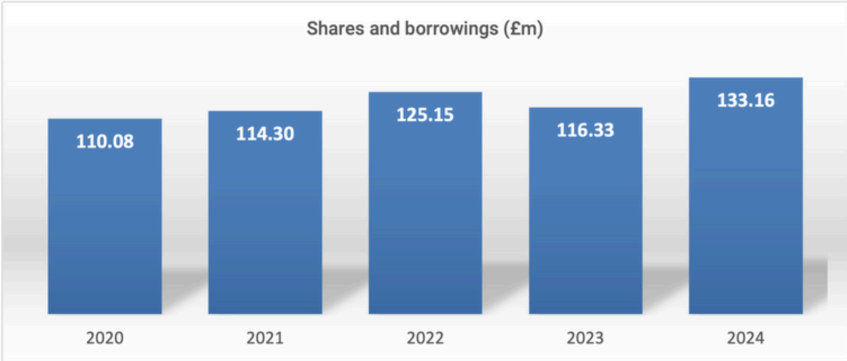
We also took positive steps to widen our focus in our local community with the formation of a Colleague Engagement Team and developed our partnership with a local charity whose vision of improving sustainability in our heartland mirrors our goal to support our communities and reduce our impact on the environment.

**Total assets**

In 2024 we achieved an increase in total assets of 13.00% (2023: 6.02% reduction).
We have seen strong growth in our savings balances following the launch of our digital savings channel. We initially introduced limited access and notice accounts to this channel followed by a one-year fixed rate bond and a regular savings product in the autumn. We will continue to develop our range of digital products in 2025 and remain committed to offering a wide range of savings products within our branch.

The successful launch of new limited access and notice ISA products in branch was particularly pleasing and evidences our ongoing commitment to this channel.

We are seeing strong appetite for fixed rate savings products, as members look to try and lock in higher rates in a falling bank base rate environment. ISA products, providing tax-free returns continue to be very popular.



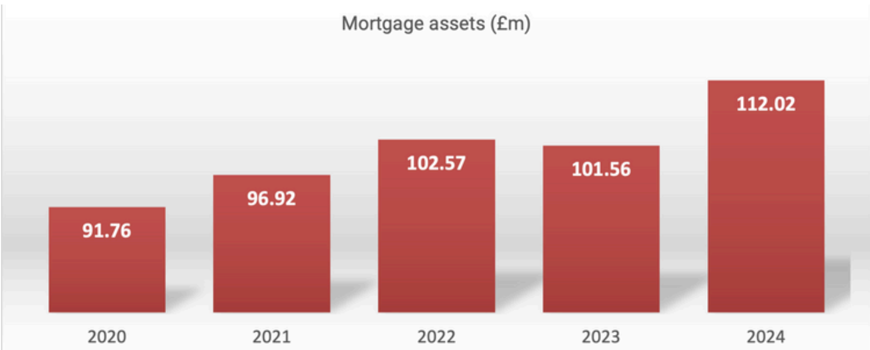

We acquired £8m of savings balances from the digital channel following our launch in August allowing us to finish the year with a strong liquidity ratio of 24.71% (2023: 22.84%) of total shares and borrowings.

Our mortgage activity increased in 2024 due to changes made to our product range, our success in specialist segments of the markets (for example expatriates) and by increasing our distribution network where we onboarded four new mortgage clubs and two networks in the year.

As a result of this work, the value of mortgage completions increased by 60% year on year, driving an increase in our total mortgage assets of 10.29% (2023: 0.98% decrease) and further growth is forecast in 2025 as we develop new strategic partnerships. We achieved a good level of retention of borrowers with product maturities in 2024, although we are seeing increased levels of redemptions from borrowers who are maturing from very low fixed rate products and who are actively shopping around to try and reduce the impact of the ‘rate shock’ they are facing.

We advanced 148 (2023: 127) new loans at a total value of £26.22m (2023: £15.98m), of which 10 were further advances (2023: 17).

During 2024 we took the decision to temporarily pause direct mortgage advice to borrowers through our subsidiary as we reviewed our strategic direction and improved our service offering.




During this period we collaborated with local brokers to ensure our mortgage products remained available to borrowers. Direct business therefore only represented 7.00% (2023: 23.00%) of new mortgage business. We expect to see a greater level of direct business in 2025, although it is unlikely to return to the level seen in 2023.

The bank base rate decreased in 2024 and we reduced our Standard Variable Rate in October 2024 and have made selective reductions to the rates on savings accounts. We continue to monitor the market closely and anticipate making further changes to mortgage and savings rates in 2025.

The market outlook for 2025 is for modest growth in housing activity, supported by the expectation of further falls in interest rates. House prices continue to increase, although by relatively low levels as affordability challenges weigh heavily on the market. We will also see an increase in stamp duty in April, which may dampen the level of housing activity. Household budgets remain under pressure although there should be some benefit from continued growth in average earnings and lower levels of cost of living volatility.

Within our mortgage business, a key focus for 2025 will be how we can support more first time buyers achieve their goal of home ownership and in the savings business, we are keen to find ways to help the next generation of savers begin their savings journey, and our new digital savings channel can play an important role in doing this.

***Arrears performance***

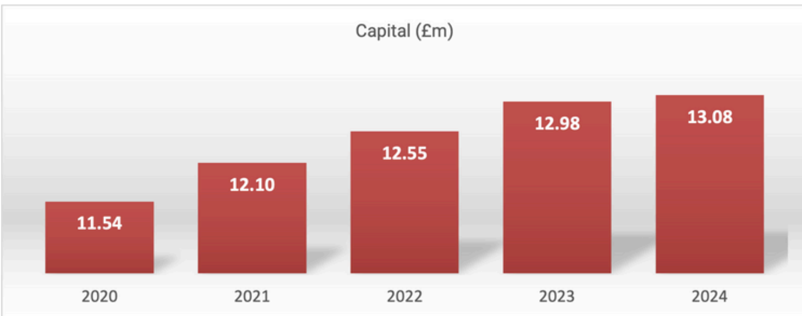
We take all reasonable steps to minimise loss by ensuring that our Responsible Lending Policy and our detailed lending criteria are reflected in our underwriting decisions and our Policy and criteria are updated regularly to take account of changing economic conditions. We are vigilant to the financial stresses which may arise for borrowers and are aware that for some borrowers, particularly those with longer-term fixed rate mortgages, the full impact of higher interest rates has yet to materialise. We offer constructive assistance and forbearance to borrowers in financial difficulty and maintain a personal approach, allowing us to develop a better understanding of their needs and individual circumstances.

As a result of strong arrears management, an improving economic outlook and a stabilisation in forward looking house pricing, which removes the need for any discount to our future house price expectations, we have reduced our loan loss provisioning to £0.10m (2023: £0.19m).

***Capital***

At 31 December 2024, our total capital is £13.08m (2023: £12.98m).

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 9.44% (2023: 10.76%) of total shares and borrowings.




Additionally, the gross capital ratio (being general reserves) amounted to 9.82% (2023: 11.16%) of total shares and borrowings. Both of these ratios have fallen due to reduced profitability on an increased asset base.

The table 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.

Our capital ratios remain strong and provide us with a strong base to progress through our transformation journey, providing a buffer for any adverse changes in economic conditions or other future challenges we may encounter.

To meet regulatory requirements, a risk assessment of our capital policies and procedures (the Internal Capital Adequacy Assessment Process) is conducted and approved by the Board at least annually. This allows us to consider our future capital position and confirm that we hold sufficient capital to meet our strategic objectives as we move forward.

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Tier 1 capital (after regulatory deductions) | 12.95 | 12.86 |
| Tier 2 capital | 0.09 | 0.17 |
| Total Capital | 13.04 | 13.03 |
| **Risk weighted assets:** | | |
| Liquid assets | 4.06 | 4.95 |
| Loans and advances | 41.30 | 36.90 |
| Other assets | 1.64 | 1.56 |
| Operational risk | 5.53 | 4.89 |
| Total risk weighted assets | 52.53 | 48.30 |
| **Capital ratios:** | | |
| Core tier 1 | 24.65% | 26.62% |
| Leverage | 8.69% | 9.85% |

***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.

### *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 2024 we progressed 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 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, Regulatory, Conduct, Liquidity, Funding (including Interest Rate), Cyber, Data, Model, and Fraud and Financial Crime.

**Directors**

The following persons were Directors during the year:

**Non-Executive Directors**

| | |
|---|---|
| Will Lindsay | *Board Chair* |
| Rod Ashley | *Senior Independent Director* |
| David Billinge (appointed 1 February 2024) | |
| Richard Drinkwater | |
| Janice Lincoln (retired 30 June 2024) | |
| Nikki Marsh | |
| Fiona Smith | |

**Executive Directors**

| | |
|---|---|
| Zack Hocking | *Chief Executive* |
| Elspeth James | *Chief Financial Officer* |

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.

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

### Colleagues

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.

### Land and Buildings

The Head Office premises were valued during 2023 following completion of the refurbishment works in the prior year and confirmed the Directors' opinion that the overall market value is in excess of the book value.

### Donations

During the year charitable donations totalling £15,459 (2023: £22,364) were made. No contributions were made for political purposes.

### 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 11 at 31 December 2024 (2023: 10 days).

### 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 being to maintain an essential branch service for the local community, with other colleagues working at home and to ensure 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.

# SUMMARY FINANCIAL STATEMENT

The summary financial statement on pages 19 and 20, the Chief Executive Report on pages 5 and 6 and the Strategic Business Review on pages 12 to 18, 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 14 March 2025.

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 Statements to the Society include the consolidated performance and position of the subsidiary, unless specifically noted otherwise.

## GROUP SUMMARY FINANCIAL STATEMENT

For the year ended December 31, 2024

| RESULTS FOR THE YEAR | 2024 | 2023 |
|---|---|---|
| | £ | £ |
| Net Interest Receivable | 3,030,888 | 3,202,432 |
| Other Income and Charges | 38,407 | 75,333 |
| Administrative Expenses | (3,040,255) | (2,704,868) |
| Provisions | 94,000 | - |
| Profit for the Year before Taxation | 123,040 | 572,897 |
| Taxation | (28,810) | (140,096) |
| Profit for the Year | 94,230 | 432,801 |

| FINANCIAL POSITION AT THE END OF THE YEAR | 2024 | 2023 |
|---|---|---|
| **Assets** | £ | £ |
| Liquid Assets | 32,906,406 | 26,576,605 |
| Mortgages | 112,017,857 | 101, 564, 207 |
| Fixed and Other Assets | 1,637,495 | 1,561,781 |
| Total Assets | 146,561,758 | 129,702,593 |
| **Liabilities** | | |
| Shares | 130,401,100 | 112,788,736 |
| Accounts Owed to Credit Institutions | - | 507,018 |
| Accounts Owed to Other Customers | 2,759,806 | 3,039,159 |
| Other Liabilities | 322,562 | 383,620 |
| Reserves | 13,078,290 | 12,984,060 |
| Total Liabilities | 146,561,758 | 129,702,593 |

**Approved by the Board of Directors on 27 February 2025 and signed on its behalf by:**

**Will Lindsay** *(Chair)*, **David Billinge** *(Director)* and **Zack Hocking** *(Director, Chief Executive)*

## SUMMARY OF KEY FINANCIAL RATIOS

| | 2024 | 2023 |
|---|---|---|
| Gross capital as a percentage of shares and borrowings (Note 1) | 9.82% | 11.16% |
| Liquid assets as a percentage of shares and borrowings (Note 2) | 24.71% | 22.84% |
| Profit for the year as a percentage of mean total assets (Note 3) | 0.07% | 0.32% |
| Management expenses as a percentage of mean total assets (Note 4) | 2.20% | 2.03% |

## 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 AGM.

## 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 receives higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on this position.

## 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 Chief Financial Officer's contracts of employment require a six month notice period.

## DIRECTORS EMOLUMENTS

| Fees for services as Non-Executive Directors | 2024 | 2023 |
|---|---|---|
| | £ | £ |
| Rod Ashley | 18,824 | 18,058 |
| David Billinge (appointed 1 February 2024) | 17,301 | - |
| Richard Drinkwater | 18,824 | 18,058 |
| Janice Lincoln (retired 30 June 2024) | 9,632 | 18,661 |
| Will Lindsay | 23,367 | 22,416 |
| Nikki Marsh (appointed 1 March 2023) | 18,824 | 15,157 |
| Fiona Smith (appointed 1 September 2023) | 18,824 | 6,092 |
| **Total for Non-Executive Directors** | **125,596** | **98,442** |

| For services as Executive Directors: | | |
|---|---|---|
| Zachary Hocking (appointed 4 December 2023) | | |
| Salary | 128,750 | 9,615 |
| Bonus | 2,600 | - |
| Benefits and Allowances | 6,468 | 500 |
| Pension Contributions | 6,438 | 481 |
| | **144,256** | **10,596** |
| Timothy Bowen (resigned 22 November 2023) | | |
| Salary | - | 110,865 |
| Bonus | - | - |
| Benefits and Allowances | - | 7,388 |
| Pension Contributions | - | 5,529 |
| | - | **123,782** |
| Elspeth James* | | |
| Salary | 83,345 | 80,977 |
| Bonus | 1,677 | 4,918 |
| Benefits and Allowances | 804 | 858 |
| Pension Contributions | 4,152 | 3,983 |
| | **89,978** | **90,736** |
| **Total for Executive Directors** | **234,234** | **225,114** |
| **Total for Directors Emoluments** | **359,830** | **323,556** |

*Elspeth James works on a four-day contract

**Approved and signed on behalf of the Remuneration Committee,**
**Richard Drinkwater** *(Non-executive Director),* **27 February 2025**

# 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 19 and 20.**

## 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 2024 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 2024.

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 2024 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.

**Michael Davidson, Forvis Mazars LLP** *Statutory Auditor*
5th Floor, 3 Wellington Place, Leeds, LS1 4AP
**27 February 2025**

forvis mazars

Penrith Lottery Community Fund

Eden Valley Hospice

JIGSAW Cumbria's Children's Hospice

PENRITH & DISTRICT RED SQUIRREL GROUP

Greener Every Day

Annie Mawson's Sunbeams Music Trust

Celebrating 33 Years EST. 1992

PENRITH R.U.F.C. Juniors

**Directors:**

Rod Ashley
David Billinge
Richard Drinkwater
Zachary Hocking
Elspeth James
Will Lindsay *(Chair)*
Nikki Marsh
Fiona Smith

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

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

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

**Chief Executive:** **Zack Hocking**
**Chief Financial Officer:** **Elspeth James**
**Secretary:** **Sue Askew**


Penrith building society
Listening and supporting since 1877

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