



# Penrith

building society

*Listening and Supporting, Since 1877*



## 2021

### Our year in review

Annual Review and  
Summary Financial Statement

**WIN**  
£50 M&S  
voucher

Details inside cover

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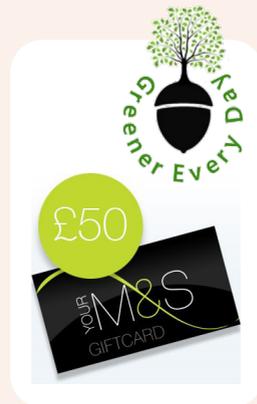


The Group comprises Penrith Building Society and its subsidiary, Cumbria Mortgage Centre Limited. The principal activity of the subsidiary is detailed in the full Annual Report and Accounts. As the activity of the subsidiary is aligned with that of the Society, references and results reported throughout the Summary Financial Statements to Society include the consolidated performance and position of the subsidiary, unless specifically noted otherwise.

## Virtual AGM

Due to the uncertainty around restrictions in respect of Covid-19 when the AGM was being planned, the Board has taken the decision that this year's AGM will be held as a virtual meeting on **20 April 2022**.

Any members wishing to attend should register their intention either by email to [agmregister@penrithbs.co.uk](mailto:agmregister@penrithbs.co.uk) by post to the Society's Head Office, or by telephone on 01768863675. Details of how to join the virtual Annual General Meeting will be provided to all that register, nearer the time.



### Make your vote count.

For every five votes cast for this year's AGM, we will donate the funds to plant one tree with Greener Every Day. You also have the chance to enter the draw and win £50 Marks and Spencer vouchers, simply register your vote for the AGM. You can do this online, by post or at our Branch.

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



## Message from our Chair, Will Lindsay

### Dear Members

#### I am delighted to welcome you to our Annual Review for the year ended 31 December 2021.

Firstly, I would like to record the Society's thanks to Rob Cairns who retired from the role of Chair of our Society in October. During almost 10 years with the Society, he led us through significant change and challenge, keeping us safe and secure and at the same time ensuring we remain part of the future of Penrith and Cumbria.

This year has been no less challenging for you and the Society, however there are early signs that we are beginning to learn to live with Covid-19 and its variants. That said, it does look like we are getting used to a new normal. Your Executive Team and the Society's staff have been fantastic in ensuring that the excellent service, for which Penrith Building Society is renowned, continued as a result of being flexible with our working environment and opening hours.

Despite all the challenges, our financial performance for 2021 has been outstanding. This ensures that we have a very stable and robust business to take into 2022, where the headwinds of inflation, potentially rising interest rates, rising energy costs, the continuing adjustment to operating outwith the EU and of course ongoing challenges of Covid-19 will once again create market uncertainties.

I feel very humble to be Chair of the Board of our Society which I think has all the skills and experience to maintain and improve on past performance not just financially but also culturally. The environment and climate change are very much on the Board agenda and we are well placed to ensure we play our part in supporting changes as to how we operate and support our members.

This is the third year we have had to hold a virtual Annual General Meeting, which is regrettable. We are looking at opportunities in 2022 as the outlook starts to improve to be able to return to face to face engagement with our members.

I give my sincere thanks to our Executive Directors, Tim and Elspeth, for their superb leadership throughout the year, and to all of our staff for their commitment and hard work in once again delivering a very successful year.

Finally, I would like to thank you, our loyal members, for all the support and understanding you have given to the Society during what has been another challenging year. This is, and continues to be, much appreciated by us all at the Society.

Will Lindsay (Chair)  
11 March 2022

Report from our  
Chief Executive,  
**Tim Bowen**

FOR THE YEAR ENDED  
31 DECEMBER 2021



The Society has achieved a great deal in 2021 through a further year of Covid-19, which has continued to impact every individual in the United Kingdom in varying ways. Whilst this period has almost certainly been the most challenging, for me and our team, it has seen some of the proudest moments and achievements in my career to date.

2021 has been another year in which your Society demonstrated resilience, strong financial results and ensured that we have maintained a supportive and safe environment for both our staff and members. These successes were achieved despite a challenging set of circumstances. Our member loyalty and staff commitment were a huge factor in the success, and I must thank you all for this. The challenges associated with Covid-19 continued throughout 2021, a year which saw us continue with the changes in our operational model. It is testament to the staff that we have been able to continue to operate both effectively and safely throughout these challenging times. It is also testament to our loyal members who have continued to understand and appreciate the measures we took to ensure their safety whilst not compromising the level of service they both expect and deserve.

I am delighted to report that the Society achieved a profit of £0.56 million, which represents a significant increase on £0.24 million, achieved in 2020. This was a result of strong margin management during the year. We ensured fair rates of return for our loyal savers in a benign savings market and continued to build our new mortgage business, whilst managing the back book effectively. This has resulted in the release of some of our loan loss provisioning at year end.

### Mortgage performance

I talk each year about how fundamentally important mortgage lending remains to the Society's long-term success and sustainability. Our lending performance in 2021 significantly improved compared against 2020 where the Society adopted a cautious approach when considering Covid-19. The mortgage market remained highly active in 2021 and we saw positive responses to the solutions, products, and services that we offered in relation to home ownership. As a result, the Society's mortgage assets grew by 5.5% to £96.9 million in 2021. This has demonstrated that the Society has remained well placed in the areas of the market that we both want, and are able, to compete in.

### Savings growth

The Society remains committed to providing fair rates of return to our loyal saving members and, in comparison to the wider retail savings marketplace, we achieved this again in 2021. As a result of this we saw a net increase in savings flows in 2021 of £4.22 million taking our saving balances to £114.30 million. The Society has had to restrict the admission of new saving members throughout 2021 to ensure that we are able to balance the demand for savings alongside our mortgage products.

### Member engagement and Community

I am pleased to report a stable year in our membership base which continues to show a real vote of confidence in the Society. The loyalty that is afforded to us by our members is something we continue to remain appreciative of and I am proud that we have been able to continue to provide fair rates and returns to both our borrowing and saving members throughout 2021, when comparing ourselves to other areas of the market.

As always, we remain completely committed to the community that we serve in Penrith and the Eden Valley and in 2021, we were able to provide donations to charities and families in our community who really needed it. The Society gave a total of £7,000 in December alone to the local schools and charities in Penrith to ensure that people who require financial support have been able to receive it. We are very proud to have increased our support from the £5,000 donated at the same point in 2020. Our social purpose, as a mutually owned organisation, continues to be at the heart of all we do, and these donations illustrate our commitment to supporting the local community.

I hope that we are moving towards a greater degree of normality regarding Covid-19 and if we continue to see improvements that will allow safe environments for our staff and members, we hope to be in a position to re-commence the engagement and volunteering that we have been able to support in the past. We have, however, still been able to support the financial education of the younger generation in Penrith in conjunction with Queen Elizabeth Grammar School and Ullswater Community College, and we will continue to remain committed to this moving forward through our partnership with the Wize Up Financial Education Charity.

Our affinity accounts have also continued to support Pride in Penrith Lottery, Eden Valley Hospice & Jigsaw, Annie Mawson's Sunbeams Music Trust, Penrith RUFC Juniors and Penrith & District Red Squirrel Group.



### People

As always, I must give thanks to our incredible team at the Society. I want to acknowledge their exceptional commitment, loyalty and support which has been instrumental in driving the performance of the Society and supporting our members and partners against what has been another year of demanding circumstances. We have continued to focus on the safety and wellbeing of our people, and this has stood the Society in good stead.

In October, the Board said goodbye to our retiring Chair, Rob Cairns. Rob has been a Building Society stalwart throughout his career, and it was fitting that he finished at Penrith Building Society having also served as Deputy Chief Executive and Chief Executive of The Cumberland and The Furness respectively. The Society gives the deepest thanks to Rob for his loyalty and commitment to the Society and wishes him the very best in his well-earned retirement. With Rob leaving the Society, the Board and I have welcomed Will Lindsay as our new Chair. Will remains committed to a strong independent future for your Society and has settled into his role as Chair with a great deal of focus and professionalism. Additionally, the Board remain committed to continuing to provide and foster an environment for all staff and members that is safe, diverse, and inclusive.

## REPORT FROM OUR CHIEF EXECUTIVE, continued FOR THE YEAR ENDED 31 DECEMBER 2021

### Future outlook

The economic outlook forecasts that the UK will see continued recovery in relation to GDP, however, there remain significant risks within the economy and the housing market. This growth is also balanced against the significant rises in inflation and ultimately, the continued pressures that will exist regarding the cost of living which we will remain aware of if and when this impacts any of our members.

The Board remain strongly of the belief that the Society has a sustainable future as an independent, vibrant Building Society mutually owned by you, our loyal members. The Society retains an experienced, capable, and talented team that will continue to monitor any adverse indicators relating to all factors in the marketplace, economy and political arenas. We maintain strong financial foundations and remain committed to our strategic objectives and direction and are confident in achieving them.

As I say each and every year, our Society exists because of the commitment and dedication of our staff, who we will continue to invest in, as well as the ongoing loyalty and support of our members. I would like to thank you all for your support.

**Tim Bowen** (Chief Executive)  
11 March 2022

## Financial Education

**Penrith Building Society is passionate about providing financial education for our local community. No matter what age, we can offer support and guidance to help improve an individual's knowledge of basic financial affairs. We can support children from key stage 1 to key stage 4 and offer bespoke sessions for adult learning.**

Due to the pandemic, it has been difficult to physically support groups in a face to face environment, however this year we plan to increase our physical presence and offer more sessions in person. If you are aware of any group, school or charity who would like our support then please do not hesitate to get in touch.

We are currently supporting several local schools with our Head of Member Services, Clare Harrison, providing lessons to students on subjects like long term planning and borrowing, managing risk and understanding payslips. Feedback so far from the schools has been really positive and we are looking to expand this offering to other local schools and groups.

We also have workshops available for adults covering subjects such as planning and budgeting, money safety, borrowing and debt and the importance of savings.

As part of the Better Health at Work Award, the Society has also supported some large companies in Cumbria by providing them with training and the resources, enabling them to run these sessions for their own employees.



**Clare Harrison**  
Head of Member Services



**As a Society, becoming more aware of our impact on the climate and what we can do to lessen that impact is a priority for us. We have started to review all of our processes and procedures to understand how we can reduce the amount of paper we use and transfer to a 'digital first' approach wherever possible. We have also looked at ways we can adopt a 'no waste' approach by reducing, reusing, and recycling and we encourage all our staff to follow this ethos whether working at home or in the office.**

Having the majority of the team based at home during the Covid-19 pandemic has resulted in less commuting for staff which has helped reduce the Society's carbon footprint and this is something we are keen to continue. We have recently launched a fantastic Cycle to Work scheme for our employees which will not only help reduce our carbon footprint but also help improve their physical fitness and mental wellbeing.

Our Head of Member Services, Clare, has also completed a qualification with Cumbria Action for Sustainability which means that she is 'carbon literate' and can help both the business and our employees move forward in their journey to improving our impact on the environment.

**Carbon Literacy Project**



Finally, 2021 also saw us start an exciting new partnership with Greener Every Day, a local charity that is passionate about tree planting to offset carbon emissions. For every new purchase mortgage, the Society is donating the cost of planting a tree to the charity and hopes to get involved in the actual planting in spring and autumn 2022.

Look out for our new green Affinity savings account partner to be announced this year so you can help support us in our green journey both now and in the future.

## Lucy Hodgson *Finance Assistant*

Supported by the Society, Lucy embarked upon her studies in September 2020, through the **Assistant Accountant Apprenticeship scheme**. She submitted a portfolio of work, and undertook the **Advanced Diploma in Accounting** - achieving distinction grades in both elements.

Initially, Lucy attended Carlisle College once a week, but her studies changed to a virtual environment for a few months due to the winter lockdown.

Lucy feels that the experience she has gained from completing this Level 3 apprenticeship has improved her knowledge, allowing her to input more confidently and enjoy her role more on a day-to-day basis.

So, what's next? Lucy will be embarking upon her Professional Diploma in Accounting in September this year and we're sure that she will do fabulously well once again!



## Claire Renwick *Senior Mortgage Co-Ordinator*

Grasping all opportunities to develop and improve her knowledge, Claire had a very busy 2021. She completed three **Chartered Insurance Institute (CII)** examinations! Having passed her qualification in **Personal Taxation (R03)**, she moved on to study and pass her qualification in **Mortgage Advice (CF6)** before embarking upon her studies for her **Advanced Mortgage Advice (R07)** qualification, which she also passed with flying colours!

Not wanting to take things easy this year, Claire has already begun her studies of a further CII qualification, which she hopes to complete late spring 2022.

## Clare Harrison *Head of Member Services*

The Carbon Literacy Project offers everyone a day's worth of Carbon Literacy learning, covering – climate change, carbon footprints, how you can do your bit, and why it's relevant to you and your audience.

To ensure that as an organisation we are doing all we can, Clare has undertaken sufficient learning to meet the **Carbon Literacy Standard**, meaning that she can ensure we (as a business and personally) are doing what we can to limit our impact on the environment. She also uses her knowledge to support others to achieve their goal of becoming greener too!

Clare is a passionate health advocate and can be regularly found thinking up activities for us all to be a bit healthier or to improve our fitness. It was superb to see her efforts acknowledged twice this year through the **Better Health at Work Award**. Not only did the Society achieve its Silver Award but Clare was recognised as the **'Health Advocate' of the Year for Cumbria**.

*See picture on previous page!*

# welcome to our

# New Starters

## Louise Watt *Technology Executive*

Rather than being a new starter, Louise has returned to work for the Society, having started her career with us back in 1988!

Over the last few years, Louise has been working as Head of Professional Services with a financial services software company where she has gained extensive experience of "fintech" and how technology can be used to improve the member experience.

Louise was born and continues to live in Penrith with her family. She lists her hobbies outside work as reading, walking and wine appreciation.

## Louise Harper-Brown *Financial Controller*

Louise joined us in April 2021 as Financial Controller. A chartered accountant with 10 years' experience in the financial services sector, Louise started her career on a training scheme in accountancy practice before moving into the building society sector.

Louise lives in Carlisle with her husband and two children, is a keen runner and enjoys baking in her free time.

## Lewis Hoffman *Digital Technology Assistant*

Lewis joined the Society in May 2021, as our new Digital Technology Assistant. He started with support from the Government's Kickstart Scheme, a scheme created to give experience to young people out of work. Lewis studied Computer Science at the University of Lancashire, prior to joining us, which helped develop his knowledge of computer programming and technology which has been invaluable in his role.

Outside of work Lewis enjoys hiking in and around the Lakes, computer games and spending time with his family.

## Harriet Park *Customer Representative*

Harriet joined the Society in July 2021, having spent two years working in a retail environment. Prior to joining the world of work, she studied Media and Popular Culture at the University of Lancashire, where she had the opportunity to work with a digital marketing company and utilise her creative skills.

Outside of work Harriet enjoys being active, where her interests include working out at the gym and running. To put her love for running to good use, Harriet has completed several charity running challenges. She also likes to spend time walking her Beagle, Buster.

## Jennifer Banks *Senior Mortgage Administrator*

Being a mortgage person 'through and through' we welcomed Jen to the Society in July 2021, having worked for a large global bank as a Mortgage and Protection Manager for the last 13 years. Prior to this, she has worked for another financial PLC and a financial advisory firm. She started her career in the building society sector, with Alliance and Leicester, where she qualified over 20 years ago as a Mortgage Adviser.

Outside of work she enjoys walking and spending time with her two daughters and grand-daughter.



# Community round up for 2021

Despite the limitations imposed by the pandemic, the Society continued to make every effort to support our local community and other charities close to our hearts. We would like to thank all our members who support us in these activities, and our staff who work so hard to make these activities a success!

Here are just a few highlights...

Keep up to date with our latest thoughts and news on  



## Penrith Pumas WRC

In September, Tim and Clare dropped in on a **Penrith Pumas WRC** training session to discover more about our local wheelchair sports team. We were also thrilled to make a donation to help the team purchase kit and attend tournaments. If you want to find out more about the team, check out their website at [www.penrithpumas.co.uk](http://www.penrithpumas.co.uk)

## Mortgage Blood Bank

During the year our mortgage team took part in a nationwide drive to promote blood donation. Michelle H, Michelle S and Fiona, all made deposits to the **Blood Bank** which is a financial services initiative to recruit 30,000 donors from across the sector by the end of 2022.

Well done team!

More information is available at [blood-bank.co.uk](http://blood-bank.co.uk) and [blood.co.uk](http://blood.co.uk)



## Trek26 Alzheimer's Society

August saw Heather, Michelle S, Fiona and Clare undertake a 13 mile walk from Patterdale to Dalemian as part of the **Alzheimer's Society Trek 26/13** event. The weather was typical Lake District weather with four seasons in one day, but our intrepid team marched on and had a great day meeting and walking with other teams. There was a great mood amongst all the walkers of togetherness and support. The event raised over £1m with team PBS contributing £1,302.



## Riding for the disabled

Our Head of Finance, Heather, continued to volunteer for our local **Eden Riding for the Disabled** group, which after a long break due to Covid, was able to restart sessions in October. Facilities are supplied by Rookin House Equestrian Centre, with riders of all ages attending from local schools and the **Edington Day Centre**. The group relies on donations and support from volunteers. If you feel you could help the Eden Group then contact Heather on our Head Office number for more details. We were pleased to be able to make a donation which will help the group continue to make a huge difference in the life of its riding students!



## Penrith Sparkle

Our year closed with a busy December. We raised money and wore our Christmas jumpers for **CFM's Cash for Kids Mission Christmas**, meaning many children received gifts. We decorated the building for Penrith Sparkle, joining the rest of the town to ensure that this strange year ended with light and optimism.



## Affinity Accounts

We continue to support our affinity partners with our range of adult and junior affinity accounts. The 2021 annual dividend payment totalled £5,227 and was split between **Eden Valley Hospice and Jigsaw, Pride In Penrith Lottery, Annie Mawsons Sunbeams Music Trust, Penrith & District Red Squirrel Group** and **Penrith RUFC Juniors**. Many thanks to all our members who save into these accounts and generate those donations.



## Other donations

At the end of 2021 the Society was pleased to be able to make a number of other donations, these included **local primary schools, the Salvation Army, Eden Carers** and both the **Penrith and Patterdale Mountain Rescue** groups. As a local building society we strongly believe in supporting our local community and will continue to do so in 2022 and beyond.



# The crossword competition 2022

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



**Terms and conditions:** Please hand in or post your entry to Penrith Building Society, 7 King Street, Penrith, Cumbria CA11 7AR. Entry is for members only. Only one entry per person. Closing date is 31 May 2022. A draw will be held from the correct entries. £50 prize to be paid to a new or existing account with the Society.

## The crossword clues

### Across

- 1 Year \_\_\_ 31 December 2021 (5)
- 3 This stopped having a holiday in the early part of 2021(5,4)
- 7 One of our values (2,6,2,3)
- 10 The medal we received for Better Health at Work (6)
- 14 The format of our AGM (7)
- 15 Two of our new staff love to do this outside of work (7)
- 16 Net Interest Margin in short (1,1,1)
- 20 The basis of our Non-Executive Directors' pay (3)
- 21 What 10 across is a type of (5)
- 22 Who the society is tree planting with (7,5,3)
- 24 Financial Education Charity (6)
- 26 We set our strategic objectives in this corporate document (4)
- 27 Part of our liquid assets (4)
- 28 This bank does not hold money (5)

### Down

- 2 What our green affinity savings account will be in 2022 (3)
- 4 The next step for Lucy (12,7)
- 5 Sunbeams Music \_\_\_\_ (5)
- 6 Where the team walked to in the summer (8)
- 8 A capital ratio (8)
- 9 The dog who gets Harriet out for a walk (6)
- 10 We decorated for this Penrith event in December (7)
- 11 We reduced this loss provisioning in 2021 (4)
- 12 One of the things we did on 11 March 2022 (6)
- 13 This change is a key risk to us (7)
- 17 Surname of our ex-chair (6)
- 18 Type of sheep on the front cover (8)
- 19 Where Louise Watt has gained extensive experience (7)
- 23 The first name of the lady behind 5 down (5)
- 25 Jumping felines that are bouncing balls (5)

NAME: .....

ADDRESS: .....

EMAIL: .....

### Keeping you up to date about products and services

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

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

# Strategic Business Review 2021

**As noted in the Chief Executive's Report, the Society has continued to work with the challenges arising from Covid-19 but has found itself in a strong position at the year ended 31 December 2021, helped by a buoyant housing market and some careful balance sheet management. The Society has achieved growth and importantly has significantly uplifted its profitability.**

Undoubtedly there is still some longer-term impact of Covid-19 to be seen, and in an environment where inflation is rising steeply, there will be challenges for our members and the Society to face as we move forward. However, we believe that we have in a place a strong operational foundation and the right people to continue on our journey in 2022 and beyond.

**We have taken the time in updating our Corporate Plan during 2021 to reflect on our purpose, values and objectives, and we believe the changes we made in these areas during 2020 remain appropriate, which are summarised 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:

- We remain confident that we have and will continue to successfully identify areas of the mortgage market within our risk appetite, that we can continue to be competitive in, wish to compete in and continue to develop and leverage our intermediary relationships.
- We are committed to continuing as an independent, profitable and operationally resilient mutual, whilst continuing to fulfil the social aspect of our purpose within the community in which we are based.
- We will maximise the value of the Society's brand, by engaging with and supporting the financial education of our membership and the community we serve.
- We continue to invest in improving our people, processes, systems and controls.
- We are committed to creating a safe environment from which to build our inclusive and diverse culture as well as the wellbeing of our staff.
- We continue to identify the right strategic partners, to maximise value in all areas of the business.

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

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

## Key Performance Indicators

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

## Income and Expenditure

The Society made a profit for the year after taxation of £0.56m (2020: £0.24 m).

Total income is £2.72m, compared to £2.25m in 2020. The net interest margin remains an area of focus to ensure we are maximising our returns on both sides of the balance sheet, whilst remaining fair to our members within that market place. We constantly monitor our competitor activity to ensure we are pricing with or ahead of the market where appropriate.



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

Management expenses including depreciation are £2.06m (2020: £1.85m), an increase of 11.56%. Management expenses expressed as a ratio of mean total assets are 1.66% (2020: 1.57%).

The cost income ratio has fallen to 75.92% (2020: 82.03%). This reflects the increased levels of income, coupled with the focus on cost control wherever possible, but not at the expense of our members. The reduced access to the face to face services in the branch has seen costs of printing and postage increase again this year, and we have further developed the infrastructure of the Society to ensure all our staff can work safely at Head Office or at home, as required to meet the business' needs. The Society continues to view its people and technology needs as a priority. The reliance on digital channels as a core part of the future sustainability model for the Society has been accelerated by Covid-19 and further spend in this area is planned in 2022.

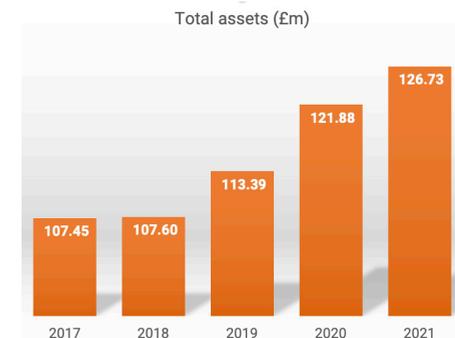
## Total assets

The loyalty of saving members and an increased demand for mortgages drove asset growth in 2021, with total asset growth of 3.98% (2020: 7.49%).

The Society has remained a safe haven for monies held by saving members during Covid-19, but our mortgage growth, whilst good, has also seen activity from borrowers looking for the best deals in the market through a period of continued low interest rates.

The potential move to a negative Bank rate did not materialise in 2021 as had been forecast by the markets, but allowed the Society to consider its planning for rate movements and puts us in a strong position as we move into a period of potential increases in Bank rate through 2022 and beyond.

Liquid assets had been stable during 2021, but in the final quarter saw some increases as savings inflows and mortgage redemption activity increased, albeit we did end the year at 25.15% of total shares and borrowings, a decrease on the 2020 position (2020: 26.37%).



Shares and borrowings (£m)



## Loans and advances

The strong mortgage market in 2021 has led to the Society advancing 208 (2020: 126) new loans at a total value of £24.62m (2020: £16.03m). Within these loans, 14 were further advances (2020: 10).

The extension in the stamp duty holiday was a contributing factor to this activity in the early part of the year, but the driving factor has been our work with the intermediary market. These more specialist areas of lending, including self-employed, self-build, expatriates and the holiday let market, are where we have seen some good levels of business being introduced. We have worked around some of the Covid-19 impacts in these areas through our bespoke underwriting approach to allow these borrowers to get on or move up the housing ladder.



Mortgage assets have grown by 5.63% as a result (2020: 1.11%), and we move into 2022 with a good pipeline of business. Our subsidiary continues to allow us to provide direct mortgage advice to borrowers, many of whom are based in our heartland. These cases represented 33.04% of our new mortgage business in 2021 (2020: 25.84%).



As reported last year, the Society had seen around 10% of its borrowers taking a payment deferral at some point during 2020. We are pleased to report that virtually all of these borrowers have returned to normal payments in 2021. We continue to work with those remaining borrowers as part of our standard arrears management processes. At the end of 2021, the arrears levels on our mortgage book has fallen to just three cases in arrears over three months, of which one was more than 12 months in arrears (2020: one case). One case (2020: eight cases) has forbearance measures in place at the year-end. The Society has no properties in possession at the end of 2021 (2020: none).

As a result of the strong arrears management, we have been able to reduce our loan loss provisioning down to £0.18m (2020: £0.23m), however we remain cautious as to the potential for over inflation in the housing market and have continued to apply a 10% reduction in the House Price Indices used to estimate our current value of properties in our risk-weighted collective loan loss provisioning model.

The Society takes all reasonable steps to minimise loss through ensuring that the stipulations of our Responsible Lending Policy are followed through individual underwriting and are being appropriately updated to take account of the prevailing economic conditions.

In particular, the Society is vigilant to the financial stresses which may arise for borrowers if interest rates start to increase.

We offer constructive assistance and forbearance to borrowers in financial difficulty and maintain a personal approach, which our borrowers prefer, allowing us to develop a better understanding of their needs and individual circumstances.



	2021 £m	2020 restated £m
Tier 1 capital (after regulatory deductions)	11.96	11.40
Tier 2 capital	0.17	0.14
Total capital	12.13	11.54
<b>Risk weighted assets:</b>		
Liquid assets	5.30	6.39
Loans and advances	36.06	36.37
Other assets	1.06	1.15
Operational risk	3.82	3.55
<b>Total risk weighted assets</b>	<b>46.24</b>	<b>47.46</b>
<b>Capital ratios:</b>		
Core tier 1	25.86%	24.02%
Leverage	9.21%	9.02%

## Capital

At 31 December 2021, the Society's total capital is £12.13m (2020: £11.54m).

A satisfactory level of capital is maintained to ensure the Society is protected against any adverse changes in economic conditions in general or in circumstances particular to the Society.

The free capital ratio (the aggregate of general reserve and collective impairment for losses on loans and advances less tangible and intangible assets) has increased to 10.56% of total shares and borrowings (2020: 10.40%).

Additionally, the gross capital ratio (being general reserves) amounted to 10.59% of total shares and borrowings (2020: 10.48%). Both capital ratios still remain strong for the building society sector overall and the stronger profitability seen this year is assisting the Society in starting to increase these further again.

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

The table on page 17 summarises the Core Tier 1 Ratio, being Core 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. The table has been restated from the prior year to reflect adjustments to the basis of our calculations for Tier 1 Capital and Operational Risk, which reduce the Core Tier 1 and Leverage ratios as previously reported.

These aspects are expanded on further in the Society's Basel IV disclosures for Pillar 3, available on the Society's website, [www.penrithbs.co.uk](http://www.penrithbs.co.uk)

## Principal Risks and Uncertainties

The Society has a policy of low exposure to risk so as to maintain member confidence and to allow the achievement of its corporate objectives. There is a formal structure for risk management which includes full control procedures as well as the establishment of risk limits, mandates and reporting lines.

In addition to the key risks noted below, the Society has faced the strategic risk challenge that Covid-19 has imposed. The ability to interact face to face with our members has been severely restricted by Covid-19, however we have successfully introduced alternative channels to engage where this has been required - for mortgages, non-face to face phone interviews and for savings, the use of electronic bank transfers to nominated bank accounts. Some aspects of these changes are now being made permanent for the Society and how we embrace this, but ensure the potential risk is mitigated, is a key area of focus for the business.

Operationally, since the start of Covid-19, half of our personnel continue to work a hybrid model of home and office time and we intend to make this a formal arrangement, based on business needs as we move forward. Those that have remained in our head office have also been working in an unusual and segregated environment throughout this time and maintaining a cohesive team has been challenging. Our people are key to the Society and the wellbeing of their mental and physical health through Covid-19 has been a priority for the Board. Every effort has been made to ensure their work environment, wherever that may be, functions as smoothly as possible, is resilient to threats of cyber risk and allows members to be serviced to the highest possible standards at all times.

Controls have been strengthened across all areas of the business to withstand the operational stresses and independent assurance has been given to confirm the changes made are appropriate and effective.

The Society monitors the following risk areas through its 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 the Society is exposed are Credit, Operational, Conduct, Liquidity, Funding, Interest Rate, Cyber, Data Security, Fraud and Financial Crime and Climate Change. These are described in more detail within the full Annual Report and Accounts.

## Land and Buildings

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

## Donations

During the year charitable donations totalling £17,794 (2020: £7,004) were made. No contributions were made for political purposes.

## Directors

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

### NON-EXECUTIVE DIRECTORS

- **Will Lindsay**,  
*Chair from 1 November 2021*
- **Rob Cairns**,  
*Chair to 31 October 2021  
(Retired 31 October 2021)*
- **Rod Ashley**
- **Richard Drinkwater**
- **Janice Lincoln**
- **Kevin Parr**  
*Senior Independent Director*

### EXECUTIVE DIRECTORS

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

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

None of the Directors had any beneficial interest in any connected undertaking of the Society at any time during the year and at the year-end. The Society maintains liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986. There are no Directors' indemnities.



## Staff

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

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

## Going Concern

Forecasts of the Society's 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 the Society's capital, financial and liquidity positions over that period have been considered and stressed as appropriate. The Society has not conducted a specific stress scenario for Covid-19 this year-end, as it believes that the wider scenarios undertaken include factors which could arise as the pandemic continues, including the potential for inflation, increased unemployment levels in the UK and decreases in the House Pricing Indices. Additionally, the operational resilience of the Society continues to be reviewed and tested, with the key requirement to maintain an essential branch service for the local community, with significant numbers of staff working at home and no loss of service to members as a result of the changes made.

These forecasts and other reviews have satisfied the Directors that the Society has adequate resources to continue in business for the foreseeable future. For this reason and after the consideration of the impact of Covid-19, it is appropriate for the accounts to continue to be prepared on the going concern basis.

## Post Balance Sheet Events

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

**Approved and signed on behalf of the Board**  
**Tim Bowen (Chief Executive) and Will Lindsay (Chair)**  
**11 March 2022**

# SUMMARY FINANCIAL STATEMENT

The summary financial statements on pages 20 and 21, the report from our Chief Executive on pages 4 to 6 and the Strategic Business Review on pages 14 to 19, are a summary of the information in the audited Annual Accounts, Directors' Report and Annual Business Statement, all of which will be available in the Society's Branch or on the website, [www.penrithbs.co.uk](http://www.penrithbs.co.uk), from 25 March 2022.

## GROUP SUMMARY FINANCIAL STATEMENT

For the year ended 31 December 2021

RESULTS FOR THE YEAR	2021 £	2020 £
Net Interest Receivable	2,729,638	2,199,699
Other Income and Charges	(12,253)	54,497
Administrative Expenses	(2,063,153)	(1,849,125)
Provisions	44,000	(100,272)
Profit for the Year before Taxation	698,232	304,799
Taxation	(135,325)	(62,742)
Profit for the Year	<u>562,907</u>	<u>242,057</u>
<b>FINANCIAL POSITION AT END OF YEAR</b>	<b>2021 £</b>	<b>2020 £</b>
<b>ASSETS</b>		
Liquid Assets	28,745,049	29,023,402
Mortgages	96,923,297	91,755,550
Fixed and Other Assets	1,062,612	1,102,780
<b>Total Assets</b>	<b><u>126,730,958</u></b>	<b><u>121,881,732</u></b>
<b>LIABILITIES</b>		
Shares	111,704,861	107,733,076
Amounts Owed to Other Customers	2,594,037	2,342,466
Other Liabilities	332,309	269,346
Reserves	12,099,751	11,536,844
<b>Total Liabilities</b>	<b><u>126,730,958</u></b>	<b><u>121,881,732</u></b>

Approved by the Board of Directors on 11 March 2022  
and signed on its behalf by:

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

## SUMMARY OF KEY FINANCIAL RATIOS

	2021	2020
Gross capital as a percentage of shares and borrowings (Note 1)	10.59%	10.48%
Liquid assets as a percentage of shares and borrowings (Note 2)	25.15%	26.37%
Profit for the year as a percentage of mean total assets (Note 3)	0.45%	0.20%
Management expenses as a percentage of mean total assets (Note 4)	1.66%	1.57%

## NOTES TO THE SUMMARY FINANCIAL STATEMENT

- The gross capital ratio measures the proportion which the Society's capital bears to the Society's shares and borrowings. The Society's gross capital consists of reserves, which are the Society's profits accumulated over many years.  
Capital provides a financial cushion against difficulties which might arise in the Society's business and therefore protects investors.
- The liquid assets ratio measures the proportion which the liquid assets held in the form of cash, short term deposits and government securities bears to the Society's shares and borrowings. Liquid assets are utilised by the Society in its cash management enabling the Society to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
- 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

The Society's Remuneration Policy is to reward Directors through salary and fees according to their skills, expertise, experience and overall contribution, taking into account salary and fee levels in comparable organisations. The Remuneration Policy follows the 'Remuneration Code' guidelines put in place by the Financial Conduct Authority (FCA), which sets out the standards and policies the Society is required to meet when setting pay for Directors. The Society does not have bonus or share option schemes and therefore no element of variable remuneration. In addition, due to its size, the Society does not have any material risk takers who meet the proportionality thresholds set by the FCA on the implementation of the Remuneration Code and therefore no separate additional disclosures are required. The Board will include an advisory resolution on the Directors' Remuneration Report at the forthcoming Annual General Meeting.

### 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

The Society's policy is to set remuneration at levels sufficient to attract and retain Executives of sufficient calibre and expertise.

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

Their 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 for the Society 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 it feels 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 of the Society, are reviewed.

The Society does not have a defined benefit final salary pension scheme. The Society makes contributions to the private pension arrangements of the Executive Directors. The contributions are currently at a level in line with that available to staff.

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



<b>Fees for services as Non-Executive Directors</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Rod Ashley ( <i>appointed 23 April 2020</i> )	16,013	10,881
Rob Cairns ( <i>retired 31 October 2021</i> )	16,548	19,583
Richard Drinkwater	16,013	15,776
Janice Lincoln	16,548	16,303
Will Lindsay	16,660	15,776
Kevin Parr ( <i>appointed 23 April 2020</i> )	16,013	10,881
Richard Vecqueray ( <i>retired 22 April 2020</i> )	-	4,533
Alan Waterfield ( <i>retired 22 April 2020</i> )	-	5,259
<b>Total for Non-Executive Directors</b>	<b>97,795</b>	<b>98,992</b>

<b>For services as Executive Directors:</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Tim Bowen		
Salary	111,968	108,234
Bonus**	11,252	5,816
Pension Contributions	5,598	6,687
	<b>128,818</b>	<b>120,737</b>
Elsbeth James***		
Salary	72,073	69,830
Bonus**	7,243	3,850
Pension Contributions	3,604	4,320
	<b>82,920</b>	<b>78,000</b>
<b>Total for Executive Directors</b>	<b>211,738</b>	<b>198,737</b>

**Total for Directors Emoluments 309,533 297,729**

\*\* The bonuses recorded in 2020 reflect two years of bonus payments, due to the timing of the approval of these payments.

\*\*\*Elsbeth James works on a four-day contract.

**Approved and signed on behalf of the Remuneration Committee by:**  
**Richard Drinkwater** (*Non-Executive Director*)  
**11 March 2022**

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

We have examined the Summary Financial Statement of Penrith Building Building Society set out on pages 20 to 22.

### Respective responsibilities of Directors and Auditors

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

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

### Basis of opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts included in the Summary Financial Statement to the corresponding items within the full Annual Accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021;
- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether information has been omitted which although not specifically prescribed by section 76 of the Building Societies Act 1986 and regulations made under it, in our opinion, is necessary to ensure consistency with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021.

We also read the other information contained in the Annual Review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. Our report on the Society's full Annual Accounts describes the basis of our opinions on those Annual Accounts, the Annual Business Statement and Directors' Report.

### Opinion on Summary Financial Statement

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of Penrith Building Society for the year ended 31 December 2021 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 and 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 and 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  
 11 March 2022

**mazars**

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Sunbeams  
Music Trust



#### Directors

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

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

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

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

**Chief Executive:** Tim Bowen

**Finance Director:** Elspeth James

**Secretary:** Sue Askew



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