

# *your* PENRITH



BUILDING SOCIETY | *for life*

# 2016

Our year in review



**WINNER:**  
Best Local  
Building  
Society

FOCUS ON  
*homes*



PENRITH BUILDING SOCIETY



## WIN

£100  
voucher

**B&Q**

See back page for details

ANNUAL REVIEW | FINANCIAL STATEMENT



## WELCOME MESSAGE FROM OUR CHAIRMAN, Rob Cairns

*Dear Member*

I am delighted to welcome you to our Annual Review of 2016. It has again been another successful year for the Society.

I am very pleased to report that the significant progress we made in the previous two years has continued throughout 2016 despite us still working in a low interest rate and uncertain economic environment. We have achieved a record level of assets as well as our second best mortgage lending figure.

On top of this, we continue to win awards, with the two most significant this year being named as Best Local Building Society by the Mortgage Finance Gazette and our Chief Executive also winning the Leadership Award from this publication. As well as this, we have appeared regularly in the national, regional and local press including a recent feature in the Sunday Times relating to our Branch Manager. We may be the smallest building society but we are certainly being recognised for our notable achievements.

We have had a settled Board over the year and I thank my Board colleagues for their wise counsel, commitment and enthusiasm. We are always on the lookout for new Directors with the appropriate qualifications so please feel welcome to contact us if you feel you have the required skills.

The Board and I would like to thank our excellent management team and staff who have achieved so much in what has been a very challenging year. I would also very much like to thank you, our members, for your continuing support of Penrith Building Society.

Following the success of our last Annual General Meeting at the Rheged Centre in Penrith, we have decided to use this venue again for our forthcoming AGM which will be held on **Wednesday 26 April 2017, commencing at 6pm**. Please come along to hear about your Society's excellent year and join us for some refreshments. We would be extremely pleased to see you.

Yours sincerely

*Rob Cairns*  
Chairman

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The principal business activity of the Society is the provision of long-term residential mortgages to borrowers, financed by savings from members in keeping with traditional building society values.

I am pleased to report that the Society has had another good year as we once again report **a healthy increase in assets and a consistent profit year on year**. It was a year that saw us **achieving our second highest mortgage lending**, and we **continue to attract healthy savings inflows** at a time of very low interest rates in both markets. Added to this, we have seen **another healthy rise in our membership base** – a real vote of confidence in our performance.

At the start of 2016 we were working on the possibility that interest rates, which had remained unprecedentedly low for some seven years, would rise at some point in the year. However, immediately after the UK electorate voted to leave the European Union, the Bank of England reduced its base rate by 0.25%; it also announced the introduction of its Term Funding Scheme (TFS) which enabled participant banks and building societies to borrow money at close to the base rate. Savers across the country have borne the brunt of the resulting low interest rates.

The Society has always operated one of the lowest standard variable rates (SVR) for mortgages in the sector. Once more we have kept any savings rate changes to the minimum, striving to ensure that we remain fair to both savers and borrowers. **Our performance in the market in both these areas shows that we have achieved that balance.**

There is no doubt that the political events of 2016 are likely to have a significant impact on the UK economy and therefore on the financial services sector in the years to come. Concerns over rates, changes to regulatory requirements, and a possible impact on local tourism, the farming economy and general confidence could all affect the Society's members in the coming months. The Society monitors press and regulatory updates relating to Brexit on a daily basis. Our key governance committees inform the Board of developments and activity in our core markets together with recommended actions. We work closely with our trade body, the Building Societies Association (BSA), which is lobbying the Government to ensure that we maintain a strong focus on considering the impact on our members.



As can be seen from the key financial highlights below, the Society has performed well:

- Record assets of £106.06 million (2015: £100.08 million)
- Gross mortgage advances at £21.89 million – our second highest ever
- Mortgage assets have increased by 6.23% to a new record level of £79.27 million (2015: £74.62 million)
- Stable profit year on year, with a profit before tax of £202,312 (2015: £200,724)
- Increased reserves to £10.83 million or 11.39% of shares and amounts owed to other customers (2015: £10.66 million and 11.94% respectively)
- Net interest receivable of £1.69 million has increased from £1.55 million in 2015 on the back of improved margins

The Society uses a number of key performance indicators to measure and monitor performance. A summary of these measures over the last five years has been explained further below.



## Total Assets

The Society has seen growth in its total assets in the past five years to a level of £106.06 million in 2016. (2015: £100.08 million)

The focus continues to be on attracting good quality residential mortgage assets to replace liquid assets (being cash and treasury investments) to improve the margin. Liquid assets were £25.67 million in 2016 (2015: £24.38 million), representing 24.2% (2015: 24.36%) of total assets and 27.01% (2015: 27.31%) of total shares and amounts owed to other customers.

Liquidity requirements are reviewed on an ongoing basis. To meet regulatory requirements an assessment of the Society's liquidity position, policies and procedures (the Individual Liquidity Adequacy Assessment Process) is carried out by management and approved by the Board annually.

### ASSET GROWTH



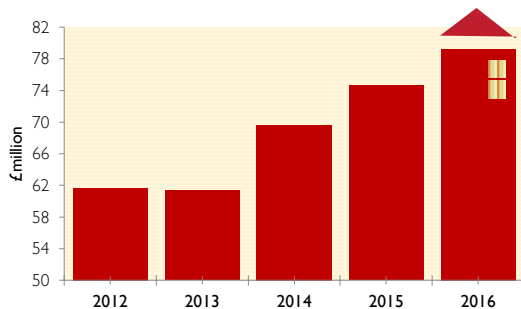
## Loans and advances

In a period which saw intense competition in the mortgage market and a reduction in housing transactions nationally, we have responded with new products and used our marketing opportunities to achieve a creditable performance exceeding last year's gross lending total. Maintaining market share is important for our continued profitability and strength in our balance sheet.



**We were recognised as the Best Local Building Society in one of the two awards we received in the Mortgage Finance Gazette Awards announced late in 2016.** The results were based on independent analytical data compiled by financial research company Defaqto. They took into account various lending criteria: interest rates and fees on both low and high loan-to-value bands and fixed and variable products over a number of time frames. **The award highlights those providers who have consistently offered good, competitively priced mortgage products during the whole year.**

New mortgage lending in 2016 totalled £21.89 million, an increase from 2015, which was £18.12 million. There were 171 advances, including 20 further advances. The strategy to improve net interest income through mortgage lending growth has seen net growth on the mortgage book since



2012 exceed 28%. This is a significant increase in mortgage assets, which now stand at £79.27 million (2015: £74.62 million). This has been achieved at a time of continuing changes in the way regulated mortgages are sold across the financial services industry.

At 31 December 2016 there were no mortgage cases (2015: one) where the repayment of principal and interest was twelve or more months in arrears; there were six cases (2015: five) where forbearance measures were in place. This confirms a continuing trend in low numbers of arrears cases over the last five years in the current low interest rate environment. The Society had three properties in possession (2015: four) at the end of 2016. Individual provisions are held for each of these properties.

The Society will continue to take all necessary action to minimise loss and to ensure that the provisions of the lending policy are monitored through individual underwriting so that due account may be taken of prevailing economic conditions. In particular, the Society is vigilant to the financial stresses which may arise for borrowers if interest rates start to increase. We continue to offer constructive assistance and forbearance to borrowers in financial difficulty and maintain a personal approach, which our borrowers prefer, allowing us to develop a better understanding of their needs and individual circumstances.



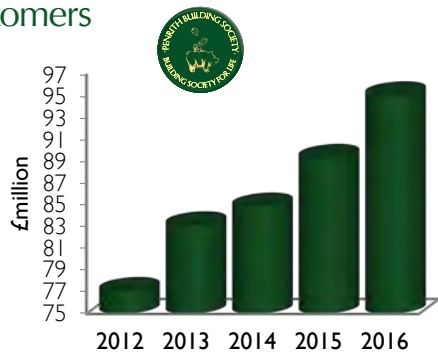
# Shares and amounts owed to other customers

The Society is acutely aware of the impact that the continuing low interest rate environment has had on our saving members. Interest rate forecasting has been increasingly difficult since the financial crisis and there have been frequent predictions of imminent rate rises that have simply not occurred.

**The significant downward pressure on savings rates led to many societies reducing rates more than once so I am pleased that we have continued to be attractive to our savers.**

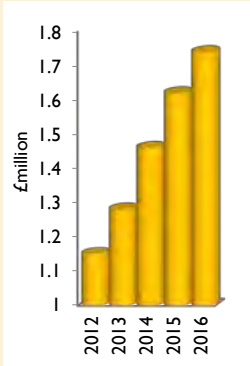
Shares and amounts owed to other customers have grown by 6.48% to a total of £95.05 million at the year end (2015: £89.27 million). As with mortgages, this has been a strategic decision to grow in the core areas of the business over recent years and since 2012 this growth has been over 23%.

The Society continues to make changes to its product range to ensure that the products on offer are meeting customer needs. Rate changes were also made to some accounts in accordance with business requirements. Regular saver products, the very popular Help-to-Buy ISA and periodic Capital Bonds continue to bring in both new monies and customers to the Society. The junior account range has also been further expanded to include accounts linked to local charity and sporting clubs, enhancing our contact with this age range. Further new product launches to refresh our range are planned for 2017, in our ISA and notice account ranges in particular, for the benefit of both existing and new customers.



## Profit for the year

**The Society made a profit for the year after taxation of £166,546 and so continues to strengthen its financial position (2015: £165,404).**

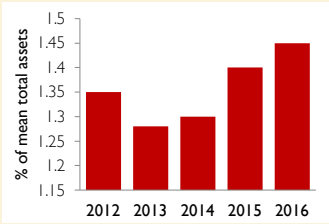


Continued positive mortgage activity has contributed to the improvement in total income to £1.74 million (2015: £1.62 million). The Society has continued to keep fees for mortgage products at a low level and in many cases will pay fees on behalf of borrowers. Introducer fees are paid to brokers who are used by the Society to source mortgage business. The operating profit before provisions has grown to £249,241 (2015: £248,896).

The overall level of both individual and collective provisions has been marginally decreased to £295,941 (2015: £303,200). The performance of the mortgage back book continues to be good in the low interest rate environment. Arrears are managed through arrangements with the

affected borrowers. We continue to set aside funds to cover our share of the Financial Services Compensation Scheme levy, as a result of the failure of other financial services institutions in recent years. The charge in 2016 decreased to £21,898 (2015: £54,898).

# Management expenses



Management expenses including depreciation were £1.49 million (2015: £1.38 million), an increase of 8.65%. The cost/income ratio increased slightly to 85.71% by the end of 2016 (2015: 84.68%). Management expenses expressed as a ratio of mean total assets are 1.45% (2015: 1.41%).

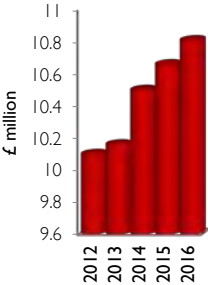
The rise in the cost base is attributed to further investment in people, including the recruitment of a Retail Operations Director to help with sales activity across the core business areas and further expansion of the mortgage team.

The Society continues to invest in technology. Ongoing projects started in 2016 will allow mortgage applications to be made online for broker and direct cases and the Society will look into the option of online savings accounts. The need to streamline processes and leverage from the improved branch facilities remain key priorities for the business in the face of increasing market competition.

# Capital

At 31 December 2016, the Society's capital had increased to £10.83 million (2015: £10.66 million). A satisfactory level of capital must be 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) arising from this was 11.20% of total shares and amounts owed to other customers (2015: 11.72%).



Gross capital amounted to 11.39% of total shares and amounts owed to other customers (2015: 11.94%). Our free and gross capital ratios continue to be amongst the highest in the sector.

Risk assessment is carried out on an ongoing basis. To meet regulatory requirements, an assessment of the Society's capital position, policies and procedures (the Individual Capital Adequacy Assessment Process) is carried out by management and approved by the Board annually. Details of the Society's Basel II disclosures for Pillar 3 are available on the website, [www.penrithbuildingsociety.co.uk](http://www.penrithbuildingsociety.co.uk)



# Our service and our people

**Our strategy is to continue to provide simple great value products and services to our members.** The continuing partnership relationship which we have with Mutual Vision Technologies Limited has brought increased efficiencies in the way that we handle transactions.

Further investment in technology is necessary and inevitable as rapid advances continue to occur in financial services provision. **However, it is our people that make the most difference, and in 2016 we made further additions to our team.** The appointment of a Retail Operations Director and a Mortgage Administration Manager will bring greater focus and enhancements to both the savings and mortgage teams within the Society. We have also completed a full review of our current product range and how these are marketed, in time for the start of 2017.



## Outlook for 2017

Building societies continue to play an extremely important role in the UK's diverse financial services sector. In that sector, I believe that Penrith Building Society stands out as a beacon of excellence. Our team will continue to look for ways to improve even further the quality and access to our products and services. This means offering competitive products to current and prospective members and maintain margins to uphold confidence in our financial strength.

Remaining true to our founding principles is very important and will remain so in an uncertain climate brought about by recent political events. What is clear is our ambition and our desire to look after our members and that means keeping close to new developments and responding to the ever-changing demands of consumers.

We are grateful for the dedication of management and staff who continue to provide members with an excellent personal service. The Society remains committed to being customer led and member owned, providing financial security and long-term value and choice for current and future generations of members.

The Society only exists because of its members and I would like to place on record my sincere thanks for the continuing support and goodwill from our growing membership base.



## Principal risks and uncertainties

The Society maintains a policy of low exposure to risk so as to maintain public confidence and to allow the achievement of its corporate objectives. There is a formal structure for risk management in place which includes full control procedures as well as the establishment of risk limits, mandates and reporting lines. All risk management policies are reviewed regularly by the Board. The main risks to which the Society is exposed are Credit Risk, Interest Rate Risk, Liquidity Risk, Financial Risk, Concentration Risk, Conduct Risk, Operational Risk and Reputational Risk. These are described in more detail within the full Annual Report and Accounts.



# DIRECTORS

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

## Non-executive Directors

**R J Cairns**, Chairman

**A G Waterfield**, Vice Chairman

**W R C Lindsay**, Senior Independent Director

**J Lincoln**

**N Ruane**

**G Silburn** (Retired 20 April 2016)

## Executive Directors

**A S Fazal**, Chief Executive

**E L James**, Finance Director

The Directors retiring by rotation in accordance with the Rules and offering themselves for re-election are Robert J Cairns and Elspeth L James, having served on the Board for a 3-year period and Alan G Waterfield, having served on the Board for a 6-year period.

During the 12 months ended 31 December 2016, Aryn S Fazal has been a non-executive director of Mutual Vision Technologies Limited, which provides IT services to the Society. There were no other associated bodies in which the Society or its Directors had an interest.

## Staff

The Directors are pleased to record their appreciation to management and staff for their hard work and loyal service rendered during the year. The Board encourages the personal development and training of both management and staff in order to ensure that employees have sufficient expertise, qualifications and relevant skills to provide the standard of service required. Whenever 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 twelve months from the date of the signing of these accounts have been prepared. The effects of various stressed scenarios on the Society's financial position have also been calculated. These forecasts have satisfied the Directors that the Society has adequate resources to continue in business for the foreseeable future. For this reason the accounts continue to be prepared on the going concern basis.

## Members

The Society's Board is heartened by the continuing strong support and loyalty shown by you the members. We would like to express our sincere gratitude to you all.

Approved and signed on behalf of the Board

**A S Fazal**

(Director & Chief Executive)

**16 February 2016**



Aryn S Fazal, Chief Executive.

## Donations

During the year charitable donations totalling £7,255 (2015: £7,637) were made. No contributions were made for political purposes.



# ONE OF OUR FOUNDING PRINCIPLES - home ownership

Of course not everybody wants to buy their own home, but building societies started out life as the vehicle for people that did.

Currently home ownership in England is at its lowest level for 30 years.\* There is a growing gap between earnings and house prices, which has seen more people having to rent. In April 2003 71% of households owned their home, either outright or with a mortgage. By February 2016 this figure had fallen to 64%.

Basic economics dictate that when demand outstrips supply prices will rise. In recent years there have been calls for the Government to build more houses. We continue to back the many moves to lobby for more housing and more innovative ways to increase housing supply.

In 2016 we maintained our support for the Eden Mortgage Boost Scheme, working with Eden District Council to help people get on the housing ladder for the first time.

Our dedicated team has been there for all of the people featured here, helping to make their dreams of building or renovating their home come true.

**Come and see if we can do the same for you!**

*\*Resolution Foundation, September 2016*



## John Bishop and Fiona MacSherry – Sebergham.

We recently purchased a beautiful old house in Sebergham with the proceeds of the sale of our previous home in Ilkley, West Yorkshire.

We needed further funds to undertake the extensive repairs and renovations identified in our Structural and Home Buyer's Reports.

However, our previous mortgage lender valued the house at zero and classed it as uninhabitable because the kitchen units and bathroom fittings had been removed and because the repair works had already begun. They refused point blank to provide us with a new mortgage, despite having held a mortgage with them for many years.

Fortunately we were introduced to the Penrith Building Society by a friend. A face-to-face meeting was arranged for the same week, followed by a realistic valuation. After the requisite legal and Land Registry searches had been undertaken, we happily accepted Penrith Building Society's offer of a renovation mortgage.

The building works have now been completed by specialist contractors and we have recently transferred our renovation mortgage to one of Penrith Building Society's very competitive regular discounted mortgages.

We are delighted to be now living in this most wonderful house.

Penrith Building Society made all this happen through their knowledge of the area and the local housing market and their readiness to engage with us on an individual basis.





Penrith Building Society provided us with the funds we needed when we were unable to tick the usual boxes and jump through all the hoops of the big banks' automated, impersonal mortgage application processes.

We received exemplary service from everyone at Penrith Building Society and are very pleased to continue to be one of their members.



## Dan and Jo Griffiths – Greystoke

Local vet Dan Griffiths and his wife Jo together with Dan's parents bought Red Barn in Greystoke two years ago and began a substantial and caring renovation project. Their dream was to have a home the whole family could live in as well as producing some high quality holiday lets. Since the project began, Jo has also given birth to beautiful twins. It has been Penrith Building Society's pleasure to be able to support the building and transformation of this wonderful project so far and we are also very proud to be associated with Dan and his family. The care, attention and hard work that has gone into Red Barn is evident to see by all who visit and we are sure that people who book the holiday lets at Red Barn will also be suitably impressed.



## Richard and Marie Paisley – Burgh by Sands

We have always wanted to live in the village of Burgh by Sands and when, in 2012, a three-bedroom house came onto the market we made an offer which was accepted. Although we had our dream location we had compromised on the living space. As the years went by and our family grew we realised that we needed more room and began to look at larger properties in the surrounding area. Unfortunately we were unable to find anywhere suitable within our budget so we began to consider the possibility of extending our current home.

We contacted the mortgage team at Penrith Building Society who were very helpful and knowledgeable. As we hadn't done anything like this before we were extremely pleased to hear that the team would be supporting us every step of the way. The service we received was personal and tailored to our needs and the process was easy to understand, releasing money at stages to allow us to budget for the works. The staff are very friendly and supportive and are always available to speak to us should we have any concerns. Thanks to Penrith Building Society we are now looking forward to enjoying our extended family home for many more years to come.

# HIGHLIGHTS FROM THE *Community Calendar*

During 2016 we continued our support of **Eden Valley Hospice (EVH)** and **Jigsaw, Cumbria's Children's Hospice**, with a number of events held to raise funds. Our talented staff got their baking aprons on with some superb cakes and biscuits being made and sold. Pom-poms also took over the Society with the staff contributing to the world-record-breaking attempt EVH were undertaking as part of their 25th anniversary celebrations.



They smashed the record of 7,500 with an incredible 29,312 pom-poms, 1,128 of which were made by staff members and their families. Our superstar staff pom-pom producer Michelle made an amazing 401. Well done, Michelle!

Once more we were the **main sponsors of Penrith Show** in July. The weather was kind again this year and we had another fabulous day at this well-organised and popular event. Our team manned the PBS marquee. We really enjoy getting out and speaking to old friends and new, and the Pimms is always popular!

This year we had lots of fun with face paints and met some super children willing to be decorated. Our squirrel ears and squirrel treasure hunt proved to be extremely popular, as did our pom-pom-making station. We had 101 pom-poms made by our lovely guests on show day alone.



This year we have introduced two new affinity partners. Our Juniors are now able to choose between **Penrith Rugby Club (junior section)** and our existing partner **Penrith and District Red Squirrel Group**. **Eden Valley Hospice and Jigsaw, Cumbria's Children's Hospice**, have been added as a partner alongside **Pride in Penrith Lottery** to our Affinity Account. These accounts provide a great way to save while helping local charities and organisations – and all without costing you a penny.



2016 wasn't just a busy year for the Society in areas of finance, the staff were also involved in a wide range of community and social events. We met lots of new people and made a host of new friends



During the year we were extremely pleased to have a visit from **Hannah Hartley**, a local Penrith girl who spent a year in Peru as a volunteer with Project Trust.

Hannah had to raise funds to enable her to take part in this adventure and the Society was pleased to help. She came in and told us all about her year and showed us some fabulous pictures of the amazing people she met. It was very inspiring for us all to see. Thank you, Hannah!

We were also pleased to hear that Hannah's brother, John, a previous winner of one of our junior competitions, will also be spending a year with Project Trust. John has chosen to go to Nepal and is busy fundraising. We hope to be able to help John reach his target.



Speaking of competition winners our lucky crossword winner this year was **Susan Lowthian**. Susan has been doing the crossword for years and was thrilled to be this year's winner, so get those crosswords filled in ... it could be you!



And finally our year ended with our entry into the Christmas window-dressing competition. We are sure you will agree we certainly helped to **make 'Penrith Sparkle' for the festivities**.

Customers and friends joined us for mulled wine and mince pies, and the staff got into the spirit with a **Christmas jumper day**, raising funds for Eden Valley Hospice and Jigsaw.





## Mortgage interest rates

Bank of England interest rates have been at a relatively low level for many years now. Whilst mortgage rates are affected by a number of factors and predictions are always difficult, we are aware that many borrowers may be concerned about the impact that any rate rise may have on their ability to make repayments.

### What if interest rates go up?

On a variable rate mortgage the interest rate you pay can change as the interest rate is determined by the Society's standard variable rate. If interest rates increase, this could mean that your monthly payments increase. If this were to happen, you need to make sure that you can afford any change to your monthly payment and should budget for this accordingly.

### What if your income goes down?

You will still have to pay your mortgage if you lose your job or if illness prevents you from working. Think about whether you could do this and make sure you can afford your mortgage if your income falls. If you do not have any income protection, life or critical illness insurance in place, you should consider whether this would be appropriate for you, to help you maintain your mortgage repayments should this situation arise.



If you believe at any time that you will be unable to meet your regular mortgage payments or are concerned about any of the above information please do not hesitate to contact the mortgage team direct on 01768 863675 who will be happy to help. If your mortgage is held elsewhere, our team may also be able to discuss our range of mortgages to enable you to compare.

## Financial Services Compensation Scheme (FSCS) deposit protection limit

Penrith Building Society is part of the Financial Services Compensation Scheme.

With effect from 30 January 2017 the limit of protection provided by the FSCS increased to £85,000. In the case of joint account holders the limit applies to each depositor separately. For further information please contact the Society or the FSCS, details for which can be found at [www.fscs.org.uk](http://www.fscs.org.uk)

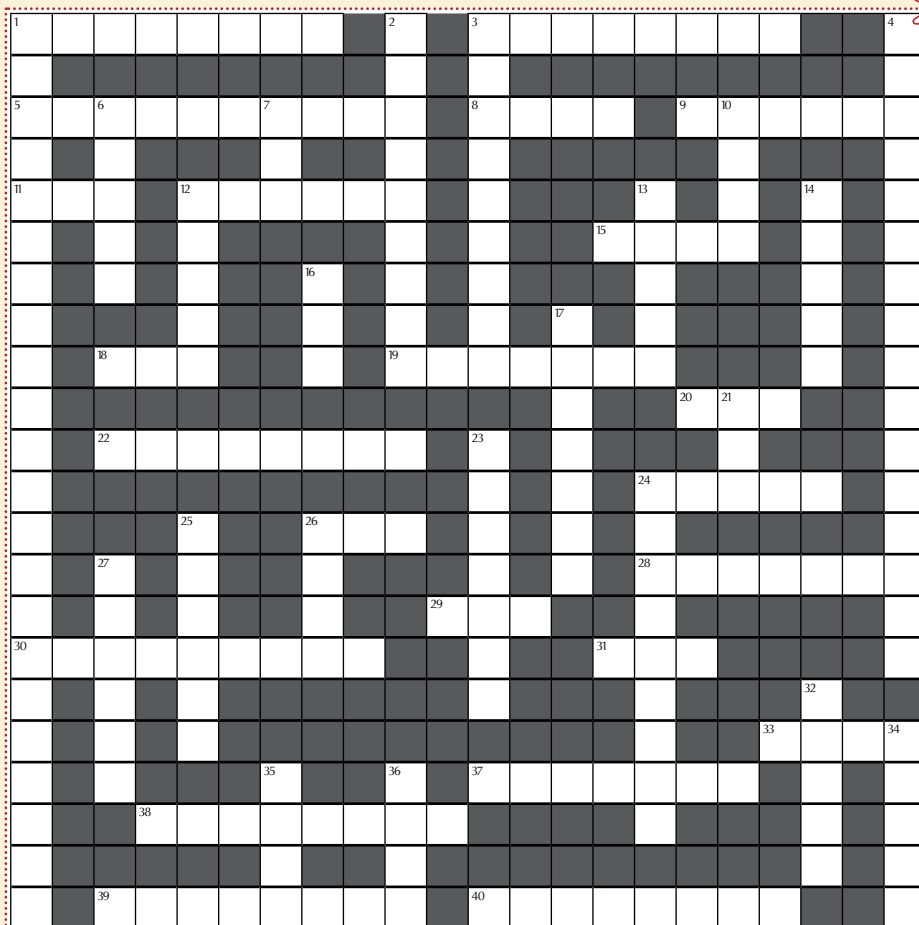
# CROSSWORD COMPETITION 2017



# WIN!

£50 paid into  
your PBS  
account

Please hand in or post your entry to Penrith Building Society, 7 King Street, Penrith, Cumbria  
CA11 7AR. **Entry is for members only.** Closing date is 31 May 2017. A draw will be held  
from the correct entries. £50 prize to be paid to a new or existing account with the Society.



NAME: .....

ADDRESS: .....

## Across

- 1 Superstar producer of 19 across (8)
- 3 You can pop in to see us until 12.30 on this day (8)
- 5 Ideal mortgage for doing up a property (10)
- 8 Once a farm building, now a home (4)
- 9 Be there on 26 April (6)
- 11 Growing space between income and earnings (3)
- 12 Fun Christmas garment (6)
- 15 We serve it warm and spicy (4)
- 18 Dan's job (3)
- 19 World-record-breaking fluffy balls (3,4)
- 20 Our trade body (3)
- 22 See 12 down
- 24, 37 Richard & Marie's dream village (5-2-5)
- 26 The colour of our native squirrels (3)
- 28 Financial research company (7)

- 29 He's our chairman (3)
- 30 Cumbrian village with happy customers (9)
- 31 Get in touch if this role appeals (3)
- 33 See 32 down
- 37 See 24 across
- 38 Topic covered by WizeUp (8)
- 39 Popular hunt for squirrels at Penrith Show (8)
- 40 See 34 down

## Down

- 1 Awards publication (8,7,7)
- 2 See 10 down
- 3 Location of Fiona and John's home (9)
- 4 Affinity partner (3,8,5)
- 6 Trek destination (5)
- 7 He's a new man (3)
- 10, 2 down One of our founding principles (4,9)

- 12, 22 across We are going to miss her (5,8)
- 13 Join to 26 across and you've got the address of 9 across (5)
- 14 Sport of affinity partner (5)
- 16 Tax-free way to save (3)
- 17, 26 down Will is our champion for this (7,4)
- 21 We have one of the lowest in the sector (3)
- 23 Biscuit, city or director (7)
- 24 Another useful topic covered by WizeUp (9)
- 25 Puzzle and charity (6)
- 26 See 17 down
- 27 Goodbye EU (6)
- 32, 33 across Tasty Christmas treat (5,4)
- 34, 40 across Last year's puzzle winner (5,8)
- 35 The kids loved these furry appendages at Penrith Show (4)
- 36 One of these led to 27 down (4)

# Janet Morrison – 45 years loyal service



1972 was a momentous year in so many ways. David Bowie released Ziggy Stardust, the Ford Cortina was Britain's favourite car, the average house price was £7800, and Janet Morrison joined Penrith Building Society at the tender age of 17.



One of the first tasks Janet can remember completing was updating the various large leather-bound ledgers following decimalisation the previous year. She was a quick learner and shortly afterwards became our first computer programmer. Working for four very different chief executives, she has seen a huge amount of change over the past 45 years.

Janet has always been proud that PBS takes the time to get to know its customers and has seen generations of families supported over the years. She will be sorely missed by both customers and staff for her warmth, her humour, and her knowledge of the town of Penrith.

Retiring has been a difficult decision for her, but now it's time to chill out, relax and enjoy spending time with her husband Peter, sons Marc and James, and the rest of her family, especially her five lovely grandchildren.



## New partnership

PBS is now partnered with H&H Insurance Brokers. They offer independent advice on all aspects of general insurances, working closely with clients to find the right insurance at a competitive price. H&H Insurance Brokers hope to support PBS members with any insurance needs they may have. For more information, please look at their website: [www.hhib.co.uk](http://www.hhib.co.uk) or give them a call on 01228 406290.

# Tim Bowen - Retail Operations Director

We are delighted to announce that Tim Bowen joined the Society in October 2016 as Retail Operations Director. Tim's experience has been primarily in Retail Banking with Lloyds Bank and most recently TSB. His contrasting roles have included Insurance, Bancassurance, and all aspects of Retail Banking including Bank Manager and Area Director.

The newly created role at the Society is to give the mortgage, savings and branch teams support and focus to ensure that our customers continue to receive the highest levels of service. He is very much looking forward to meeting as many members as possible at this year's AGM.

Tim is originally from Cornwall and now lives in the North Pennines with his partner Paula and they are expecting their first child in July. Tim lists his interests as golfing, walking and watching pretty much any kind of sporting event.



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## New opening hours

We have now extended our Saturday morning opening hours until 12.30pm. Why not pop in and speak to one of our friendly mortgage or savings team members who are on hand from 9.00am until 12.30pm every Saturday.



## WizeUp

This is our fifth year of working with the not-for-profit financial education team from WizeUp and our two local senior schools, Queen Elizabeth Grammar School and Ullswater Community College. Our sponsorship has enabled WizeUp to devise and present tailored workshops to 16–18 year olds on both finance and employability. Topics include saving, budgeting and taxation as well as advice on writing CVs and tips on interviewing. To date over 1200 students have benefitted from our involvement and we look forward to helping many more both through the workshops and other initiatives with WizeUp.



## Robert Cairns

Non-executive Director & Chairman

Rob joined the Board in May 2013 having retired from Furness Building Society where he was Chief Executive for 14 years. Prior to this he was the Deputy Chief Executive at Cumberland Building Society. He is a graduate of the University of Sussex, holding a degree in psychology. Following his retirement he has remained actively involved in the Cumbrian business community. He is a sports fan, particularly when it comes to football and cricket. He has two grown-up daughters and a number of grandchildren.



## Alan Waterfield

Non-executive Director & Vice Chairman

Alan was educated at Dulwich College and the University of Sussex and has a degree in economics. He qualified as an accountant in 1996 while working for Andersen Consulting. He enjoys working in smaller organisations and has held several finance director roles, primarily in telecoms and technology businesses. Following a number of years in the London area, Alan moved to Cumbria with his wife, who is from Penrith, and their two children. He became a director of Penrith Building Society in 2010 and was appointed to the position of Vice Chairman in 2016. He loves sport including cycling, hockey, rugby and cricket.



## Will Lindsay

Non-executive Director & Senior Independent Director

Will joined the board in 2015 having had a long and successful career in banking. He was appointed to the position of Senior Independent Director in 2016 and is the Society's Conduct Risk Champion. His knowledge extends across all aspects of retail banking, including private and business banking. Before retiring from Clydesdale Bank he was Regional Director for London and South region and on his way south spent seven years in Cumbria as Regional Manager. He is a Fellow of the Chartered Institute of Bankers in Scotland. He enjoys all sports and spending time with his family.



## Amyn Fazal

Chief Executive

Amyn was educated at King's School, Canterbury, and at Reading University and is a Fellow of the Chartered Institute of Bankers. He worked with Nationwide for 30 years in a wide range of roles and was also part of the General Management Team at Furness Building Society. He joined Penrith Building Society in 2011 and has been Chief Executive since 2013. He is a passionate supporter of mutuality and building societies. Amyn lives in the town and is married with three grown-up children. A keen walker, Amyn also enjoys music, films and cooking.





## Janice Lincoln

Non-executive Director & Chair of Audit, Risk and Compliance Committee

Janice joined the Society's Board in 2014. A Chartered Certified accountant, she has a wide knowledge of the building society sector. Janice spent her entire working life in various roles at Darlington Building Society, where she became Finance Director in 2010. In 2014 she won the Leadership Award from the Mortgage Finance Gazette. Janice has been actively involved in her local community for many years. She is married with two grown-up daughters. As well as spending time with her family, Janice particularly enjoys gardening.



## Natalie Ruane

Non-executive Director

Natalie came to Penrith having studied law at Chester College of Law. After graduating, Natalie spent four years working with Eversheds before joining her current firm, Burnetts, in 2003. She specialises in employment law and particularly in advising schools. She is one of the few lawyers in Cumbria to have the skills to undertake the work of the appointment of executive head teachers and the establishment of multi-academy trusts. Natalie moved to Cumbria, in part, due to her love of the fells. She lives in Penrith and enjoys orienteering, running, walking with her dog, cycling and generally being in the outdoors.



## Elsbeth James

Finance Director

Elsbeth was born in Carlisle and has a degree in mathematics and statistics from Edinburgh University. Elspeth gained 17 years' accounting experience with KPMG and latterly Johnston Carmichael, where she worked with retail banking clients and other building societies both in the UK and Australia. Elspeth became the Finance Director of Penrith Building Society in 2013. She and her partner live in Penrith with their baby daughter and two Airedale terriers. In her spare time Elspeth enjoys running and Pilates.



## Does the role of Director appeal to you?

From time to time the Society seeks to appoint suitably qualified non-executive directors to replace serving directors who are retiring. We would be delighted to hear from interested members who would like to be considered for any roles that may arise in the future.

**Contact Aryn Fazal by telephone on 01768 863675 for further information.**

The Summary Financial Statement, on pages 20 and 21, and the Message from our Chief Executive, on pages 3 to 9, is a summary of information in the audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand at the office of Penrith Building Society or on the website at [www.penrithbuildingsociety.co.uk](http://www.penrithbuildingsociety.co.uk), from 31 March 2017.

## SUMMARY FINANCIAL STATEMENT

For the year ended 31 December 2016

### RESULTS FOR THE YEAR

|                                     | 2016<br>£      | 2015<br>£      |
|-------------------------------------|----------------|----------------|
| Net Interest Receivable             | 1,693,279      | 1,553,390      |
| Other Income and Charges            | 50,380         | 70,977         |
| Administrative Expenses             | (1,494,418)    | (1,375,471)    |
| Provisions                          | (46,929)       | (48,172)       |
| Profit for the Year before Taxation | 202,312        | 200,724        |
| Taxation                            | (35,766)       | (35,320)       |
| <b>Profit for the Year</b>          | <b>166,546</b> | <b>165,404</b> |

### FINANCIAL POSITION AT END OF YEAR

|                                 | 2016<br>£          | 2015<br>£          |
|---------------------------------|--------------------|--------------------|
| <b>ASSETS</b>                   |                    |                    |
| Liquid Assets                   | 25,668,669         | 24,382,454         |
| Mortgages                       | 79,266,190         | 74,619,931         |
| Fixed and Other Assets          | 1,128,716          | 1,073,716          |
| <b>Total Assets</b>             | <b>106,063,575</b> | <b>100,076,101</b> |
| <b>LIABILITIES</b>              |                    |                    |
| Shares                          | 93,330,473         | 87,792,071         |
| Amounts Owed to Other Customers | 1,720,110          | 1,474,355          |
| Other Liabilities               | 185,018            | 148,247            |
| Reserves                        | 10,827,974         | 10,661,428         |
| <b>Total Liabilities</b>        | <b>106,063,575</b> | <b>100,076,101</b> |

Approved by the Board of Directors on 16 February 2017

and signed on its behalf by:

Robert J Cairns (Chairman)

Janice Lincoln (Director)

Amy S Fazal (Director & Chief Executive)

## SUMMARY OF KEY FINANCIAL RATIOS

|  | 2016   | 2015   |
|--|--------|--------|
| Gross capital as a percentage of shares and amounts owed to other customers (Note 1) | 11.39% | 11.94% |
| Liquid assets as a percentage of shares and amounts owed to other customers (Note 2) | 27.01% | 27.31% |
| Profit for the year as a percentage of mean total assets (Note 3)                    | 0.16%  | 0.17%  |
| Management expenses as a percentage of mean total assets (Note 4)                    | 1.45%  | 1.41%  |

## NOTES TO THE SUMMARY FINANCIAL STATEMENT

1. The gross capital ratio measures the proportion which the Society's capital bears to the Society's shares and borrowings. The Society's gross capital consists of reserves, which are the Society's profits accumulated over many years.  
Capital provides a financial cushion against difficulties which might arise in the Society's business and therefore protects investors.
2. The liquid assets ratio measures the proportion which the liquid assets held in the form of cash, short term deposits and government securities bears to the Society's shares and borrowings. Liquid assets are utilised by the Society in its cash management enabling the Society to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
3. The ratio of profit for the year as a percentage of mean total assets measures the proportion which the profit after taxation for the year bears to the average of the total assets at the beginning and end of the financial year. The ratio is similar to a company's return on assets. Profit is transferred to reserves, thus forming the capital which is essential in order to protect investors.
4. The ratio of management expenses as a percentage of mean total assets measures the proportion which administrative expenses as reported in this document (which includes depreciation) bear to the mean total assets in accordance with the Accounts Regulations.

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

We have examined the summary financial statement of Penrith Building Society ('the Society') for the year ended 31 December 2016 on pages 20 to 21.

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

## Respective Responsibilities of Directors and Auditor

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 and disclosures included in the summary financial statement to the corresponding items within the Annual Accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2016, 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 Annual Accounts, the Annual Business Statement and Directors' Report of the Society for that 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, in our opinion, information has been omitted which, although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2016.

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 Annual Accounts describes the basis of our opinions on those Annual Accounts, the Annual Business Statement and Directors' Report.

## Opinion on summary financial statement

On the basis of the work performed, in our opinion the summary financial statement is consistent with the Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2016 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

**Jessica Katsouris**

for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

1 St Peter's Square, Manchester, M2 3AE



16 February 2017

## DIRECTORS' REMUNERATION REPORT

The Society's remuneration policy is to reward executive and non-executive 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 set out the standards and policies the Society is required to meet when setting pay for directors. The Society does not have bonus or share option schemes and therefore no element of variable remuneration. In addition, due to its size, the Society does not have any material risk takers who meet the proportionality thresholds set by the FCA on the implementation of the Remuneration Code, and therefore no separate additional disclosures are required. The Board will include an advisory resolution on the Directors' Remuneration Report at the forthcoming Annual General Meeting.

### Executive Directors

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

Executive Directors' remuneration comprises basic salary and pension benefits. Their salaries are considered by the Remuneration Committee which meets at least twice a year. Salary levels are set having regard to job content and responsibilities, the performance of the individual and salaries in similar organisations. The Society does not have a defined benefit final salary pension scheme. The Society makes contributions to the private pension arrangements of the Executive Directors. The Chief Executive's and Finance Director's contracts of employment require a 12-month and 6-month notice period respectively.

### Non-executive Directors

The remuneration of all Non-executive Directors is fee based and is reviewed annually by the Board. They do not participate in any performance pay scheme, pension arrangements or other benefits and do not have service contracts.

The Chairman of the Board, Chairman of the Audit, Risk and Compliance Committee, the Senior Independent Director and Chairman of the Nominations Committee receive higher fees than other Non-executive Directors in recognition of the additional workload and responsibilities incumbent on those positions.

| <b>Fees for services as<br/>Non-executive Directors</b> | <b>2016<br/>£</b> | <b>2015<br/>£</b> |
|---|-------------------|-------------------|
| Robert J Cairns   | 18,270            | 18,000            |
| David Driver<br><i>(Retired 30 April 2015)</i>          | -                 | 4,833             |
| Janice Lincoln  | 14,718            | 13,833            |
| Will R C Lindsay<br><i>(Appointed 1 June 2015)</i>      | 14,718            | 7,292             |
| Natalie Ruane<br><i>(Appointed 1 June 2015)</i>         | 1,226             | 7,292             |
| Geoff Silburn<br><i>(Retired 20 April 2016)</i>         | 4,906             | 14,500            |
| Alan G Waterfield                                       | 14,718            | 14,500            |

|  |               |               |
|--|---------------|---------------|
| <b>TOTAL FOR<br/>NON-EXECUTIVE<br/>DIRECTORS</b> | <b>68,556</b> | <b>80,250</b> |
|--|---------------|---------------|

| <b>For services as<br/>Executive Directors</b> | <b>2016<br/>£</b> | <b>2015<br/>£</b> |
|--|-------------------|-------------------|
| A S Fazal Salary                               | 109,776           | 108,150           |
| Pension Contributions                          | 10,978            | 10,815            |
|  | <b>120,754</b>    | <b>118,965</b>    |
| E L James Salary                               | 77,220            | 76,075            |
| Pension Contributions                          | 7,722             | 7,608             |
|  | <b>84,942</b>     | <b>83,683</b>     |

|  |                |                |
|--|----------------|----------------|
| <b>TOTAL FOR<br/>EXECUTIVE<br/>DIRECTORS</b> | <b>205,696</b> | <b>202,648</b> |
|--|----------------|----------------|

|                        |                |                |
|------------------------|----------------|----------------|
| <b>GRAND<br/>TOTAL</b> | <b>274,252</b> | <b>282,898</b> |
|------------------------|----------------|----------------|

Approved and signed on behalf of the  
Remuneration Committee  
Robert J Cairns (Board Chairman)  
16 February 2017



# PENRITH



7 King Street, Penrith,  
Cumbria, CA11 7AR.

BUILDING SOCIETY | *for life*

Tel: 01768 863675

## Directors

Robert J Cairns (Chairman),  
Janice Lincoln, Will Lindsay  
Natalie Ruane, Alan G  
Waterfield, Aryn S Fazal,  
Elspeth L James.

## Solicitors

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

## Auditor

KPMG LLP, 1 St Peter's  
Square, Manchester, M2 3AE

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

**Chief Executive:** A S Fazal

**Finance Director:** E L James

**Retail Operations Director:**  
T J Bowen

**Secretary:** S J Askew

*Date for your diary...*

This year the AGM will take place at

**6pm, Wednesday 26 April 2017**

at the Rheged Centre, Redhills, Penrith,  
CA11 0DQ

**WIN**  
£100 worth  
of B&Q  
vouchers!

To enter the draw for the chance to  
win £100 in B&Q vouchers, simply  
register your vote for the AGM.  
This can be done online, by post or  
in person at our branch.

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



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

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