

SUMMARY FINANCIAL STATEMENT 2019



PROGRESSIVE
BUILDING SOCIETY

Purpose

Our purpose is to encourage local people to save & to become homeowners through our personal, caring & common sense approach – nurturing financial wellbeing for current and future generations

Values

We are Passionate

- Our commitment to our customers is at the heart of every decision we make

We are Trusted

- We build and strengthen relationships through mutual respect and courtesy

We are Fair

- We always work with honesty, fairness and integrity

Mutuality

Anyone who opens a savings account or becomes a mortgage holder with Progressive Building Society becomes a Member, which means you have a say in how the Society is run

Summary Financial Statement

For the year ended 31st December 2019

This financial statement is a summary of information in the audited Annual Accounts, the Strategic Report, the Directors' Report and the Annual Business Statement, all of which will be available to Members and Depositors free of charge on demand at every office of Progressive Building Society and on the Society's website (www.theprogressive.com) from 30th March 2020.

Approved by the Board of Directors on 27th February 2020
and signed on its behalf by:

Michael Parrott
Chair

Gerard McGinn
Vice-Chair

Darina Armstrong
Chief Executive

Summary Directors' Report

The Directors have pleasure in presenting the Summary Financial Statement for the year ended 31st December 2019.

FINANCIAL REVIEW

Key Features of 2019:

- New lending in 2019 of £173 million.
- Gross loans and advances outstanding to customers at year end of £1,501 million.
- Total savings balances from individuals at year end of £1,433 million.
- A management expenses to average assets ratio of 0.79%, one of the best efficiency ratios in the building society sector.
- Pre-tax profit of £7.2 million and profit after taxation of £6.0 million.

Despite the uncertainty and market volatility around Brexit, the local economy has remained resilient throughout 2019 with the Society performing well, producing another year of strong profits and maintaining a well-structured and strong financial position.

As a mutual organisation, Progressive does not distribute profits to shareholders in the form of dividends. Instead, profit is added to reserves to increase financial strength and provide additional security to Members.

Progressive Building Society delivered another strong performance in 2019, with profit after tax of £6.0 million (2018: £7.4 million).

Profit before tax reduced, as expected, by 20% to £7.2 million (2018: £9.0 million). This resulted from tightening interest margins, partly offset by lower administration expenses and by the write back of bad debt provision charges.

Net interest income of £22.6 million (2018: £24.9 million) remained robust whilst the Society's net interest margin reduced to 1.23% (2018: 1.37%). This was driven mainly by increased competition in the mortgage market and low interest rates which reduced margins on new lending and maturing deals rolling over into lower rates. We retained a high proportion of borrowers when they came to the end of their initial mortgage deals despite competition for mortgage business being intense during the year. Our determination to offer our Members competitive deals meant that we reduced rates and fees on new lending and sought to reward the loyalty of our existing borrowers by reducing the rates we offered to those switching products.

The savings market continued to be subdued throughout 2019. However, we provided value-for-money products which encourage long-term savings habits.

The Society continues to maintain a low-cost base, and management expenses (administration costs and depreciation) decreased to £14.5 million (2018: £14.9 million) due mainly to tight cost control during the year and a one-off pension charge in 2018 in relation to GMP equalisation.

As a result, the management expenses ratio improved to 0.79% (2018: 0.82%). The Society's management expenses ratio remains amongst the lowest in the building society sector.

The Society continues to develop systems and processes to support future growth, to develop its people, to further enhance the customer experience and to ensure regulatory compliance. This will inevitably lead to increases in our cost base in the future.

The Society's new mortgage lending amounted to £173 million in 2019 (2018: £219 million). This was achieved in a very competitive mortgage market in terms of rates and competitors loosening their underwriting criteria.

Progressive's mortgage proposition leads with a personal service, quality advice and responsible lending. Throughout 2019 we offered competitively priced mortgage products to encourage first time buyers, re-mortgagers, self-builders and home movers to avail of our mortgage services.

Our total gross mortgage assets amounted to £1,501 million at the year end (2018: £1,518 million). The Society's exposure to residential properties by way of mortgages remains above 99.7% of total mortgages. The Board remains committed to the owner-occupied nature of its loan portfolio which is almost exclusively located in Northern Ireland, a residential property market which the Society knows well, enabling sensible lending decisions to continue to be made.

We continued to adopt a conservative approach to mortgage provisioning. The provision for losses on all loans and advances to customers at 31st December 2019 was £4.3 million (2018: £5.3 million), which represented 0.28% (2018: 0.35%) of the total mortgage book. This reduction in provision resulted from a stronger local economy leading to lower arrears.

The Society maintains a prudent level of liquid assets and continues to hold liquidity balances well in excess of regulatory requirements, primarily in a Bank of England Reserve Account, which is instantly accessible, and in UK Government Securities, which are readily convertible to cash. This provides a buffer in the event of any major funding issues arising and provides comfort that the Society will be able to meet its financial obligations under both normal and stressed scenarios. Although the Society has not experienced any difficulties in obtaining funding in the challenging market conditions that have existed in recent years, we fully recognise the importance of maintaining a strong liquidity position.

The Society continues to be predominantly funded by retail savings, which reduced marginally to £1,564 million at 31st December 2019 (2018: £1,571 million). Savings balances from individuals accounted for 84.1% (2018: 83.6%) of our total funding. The Society experienced retail flows in line with budgets throughout 2019.

Through careful monitoring of rates and cashflows the Society was able to offer value-for-money rates on instant access accounts, bonds, regular savers and ISA products throughout the year.

The Society availed of £50 million of Term Funding Scheme money in February 2018. Under this scheme the Bank of England provides funding to banks and building societies at close to Bank of England base rate to encourage lending.

We will continue to listen to the needs of our Members and expand or amend the range of accounts and services to meet Members' requirements.

OUTLOOK

2019 has been another successful year for the Society with robust profits and strengthening capital.

The outlook for the Northern Ireland economy looked relatively stable as we approached the year end. Some of the uncertainty around Brexit appeared to have subsided with the strength of the UK Government's mandate in December. The trade negotiations are expected to conclude by the end of 2020, but if a deal is not agreed towards the end of the year, then this could lead to further uncertainty.

The current mortgage market competition locally and across the wider UK is likely to remain and possibly intensify which will cause further pressure on margin. We will continue to lend responsibly in the best interests of our borrowers.

We will invest in our systems and processes to improve efficiencies which will further enhance the customer experience of being a Member of the Society. We will deliver this

by investing in our people, our infrastructure and our technology.

The low interest rate environment is likely to continue in the short-term. The Monetary Policy Committee, which sets the Bank of England base rate, has indicated that the direction of the next interest rate movement could be up or down depending on how the economy performs now that many of the uncertainties around Brexit have gone. Either way, the Society is well placed to meet the challenge of changing interest rates successfully.

Prospects for the local housing market remain relatively strong with low interest rates and stable employment. Mortgage demand remains good, reflecting the fact that many people in Northern Ireland continue to want to buy their own home or move to a new property. The main finding of the latest Northern Ireland House Price Index survey from Ulster University highlights sustainable and resilient annual price growth in Northern Ireland with the level of transactions remaining healthy.

STAFF AND AGENTS

The ongoing success of the Society is due to the outstanding contribution of management, staff and the agents who support them. Despite challenging market conditions, changes in systems and procedures and increasing compliance requirements, they continued to attract new business in 2019 whilst providing an excellent level of service to Members.

We are very proud of the efforts of our staff as they endeavour to maintain the Society's hard-earned reputation in the community.

CHARITABLE DONATIONS

We believe it remains important to contribute to and support our local community. The Society made charitable donations of £113,000 (2018: £99,000) during the year.

GOING CONCERN & VIABILITY


The Directors consider that the Society has adequate resources to continue in operational existence for the five-year planning period. Accordingly, the going concern basis has continued to be adopted in preparing the Annual Report and Accounts.

AUDITORS

The Auditors, Deloitte, have expressed their willingness to continue in office and, in accordance with Section 77 of the Building Societies Act 1986, a resolution for their re-appointment as Auditors is to be proposed at the Annual General Meeting.

Your Society Explained

Anyone who opens a savings account or becomes a mortgage holder with Progressive Building Society becomes a Member, which means that they can have a say in how the Society is run.



Savings

Where the money comes from


We raise the majority of our funding from Members entrusting us with their personal savings.




First time buyer Home mover Self build

What we use it for


We lend that funding out in the form of mortgages to help local people buy their own homes.



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Interest & fees on mortgages Interest on Members' savings & other funding Income

How we generate income

The difference between the interest and fees charged for mortgages and the interest paid on Members' savings and other funding.



People costs Technology costs Property & operating costs

What we incur costs on

We incur costs on paying our people, systems and technology, property and operating costs.



Capital strength Improved services Charitable giving

What we use our profits for

Any surplus profit is used to support our current and future Members through maintaining our capital strength, investment in delivering improved products and services, and serving our local communities through charitable giving.

£113,000

CHARITABLE DONATIONS



£1,433_m

TOTAL SAVINGS BALANCES
FROM INDIVIDUALS

£7.2_m

PRE-TAX PROFIT



£1,501_m

TOTAL
GROSS
MORTGAGE
BALANCES



0.79%

MANAGEMENT EXPENSES RATIO

DIRECTORS

The following persons served as Directors of the Society during the year:

Name	Business Occupation
Michael W Parrott FCPFA	Chair
Gerard McGinn CBE BA (Hons) FIB	Vice-Chair
Adrian Coles OBE MA	Senior Independent Director
Margaret Cullen BA MSc PhD	Non-Executive Director
Karen Furlong BA (Hons)	Non-Executive Director
Keith Jess BSSc FCA	Non-Executive Director
Darina Armstrong BA (Hons) MSc FIB FCA	Chief Executive
Michael S Boyd BSc (Hons) FCA	Deputy Chief Executive & Finance Director
Declan Moore BA MBA	Operations Director

The Society would like to extend a very warm welcome to Martin Pitt who joined the Board as a non-executive Director on 1st January 2020. He is a Chartered Accountant by profession and until his retirement was a partner in a leading accountancy practice. He brings to the Board relevant financial, audit, governance and risk experience. Martin will be offering himself for election by you, our Members, at the Annual General Meeting in April.

OFFICERS

The following persons held positions as Officers of the Society:

Name	Business Occupation
Mairead King BA (Hons)	Head of Conduct & Compliance
Peter G Lyttle BA	Society Secretary
Sarah McKegney BSc (Hons) ACA	Head of Digital
Ailsa L McNeill BA PgDip	Head of Human Resources
Jane Millar	Head of Lending & Savings
Gareth T J Robinson BSc (Hons) CGMA	Chief Risk Officer
Monique Silva BSc (Hons)	Head of IT

ACKNOWLEDGEMENT

We would like to thank our Members for their continued loyalty and acknowledge that the Society's success could not be achieved without their support.

Michael Parrott

Chair

27th February 2020

Summary Statement

For the year ended 31st December 2019

Results for the Year

	2019	2018
	£000	£000
Net interest receivable	22,561	24,918
Other income and charges	(1,069)	(982)
Administrative expenses	(14,504)	(14,890)
Provisions for bad and doubtful debts	272	(82)
Provision for FSCS	(22)	60
Operating profit and profit for the year before tax	7,238	9,024
Taxation	(1,235)	(1,641)
Profit for the year	6,003	7,383

All results from the current and prior years were derived from continuing operations.

Summary Statement (Continued)

Financial Position at End of Year

	2019 £000	2018 £000
Assets		
Liquid assets	328,839	315,398
Mortgages	1,498,352	1,512,412
Fixed and other assets	10,815	11,275
Total assets	1,838,006	1,839,085
Liabilities		
Shares	1,564,453	1,570,621
Borrowings	139,769	141,550
Other liabilities	9,427	5,200
Reserves	124,919	122,302
Other reserves	(562)	(588)
Total liabilities	1,838,006	1,839,085

Summary of Key Financial Ratios

	2019 %	2018 %
As a percentage of shares and borrowings		
Gross capital	7.30	7.11
Liquid assets	19.30	18.42
As a percentage of mean total assets		
Profit for the year	0.33	0.41
Management expenses	0.79	0.82

EXPLANATION OF RATIOS

Gross capital as a percentage of shares and borrowings

Gross capital comprises the general reserves, the revaluation reserve and the available-for-sale reserve. The gross capital ratio measures the proportion that the Society's capital bears to its liabilities to investors. Gross capital provides a financial cushion against any losses which might arise from the Society's activities and therefore protects investors.

Liquid assets as a percentage of shares and borrowings

The liquid assets ratio measures the proportion that the Society's assets held in the form of cash, debt securities and short-term deposits bears to its liabilities to investors. Liquid assets are by their nature realisable, enabling the Society to meet requests by investors for withdrawals, make new mortgage loans and fund general business activities.

Profit for the year as a percentage of mean total assets

Mean total assets represent the simple average of total assets at the beginning and end of the financial year.

The profit / assets ratio measures the proportion that the Society's profit after taxation for the year bears to the Society's mean total assets. The Society needs to generate a reasonable profit each year to maintain its capital at a suitable level to protect investors. However, a building society does not have to pay dividends to shareholders. The Society is therefore able to operate safely with lower profits than a bank and Members benefit from this through better mortgage and savings rates.

Management expenses as a percentage of mean total assets

Management expenses are the Society's administrative expenses and represent the ordinary costs of running the organisation. They comprise mainly the costs of employing staff and maintaining the branch network. The management expenses ratio measures the proportion that these expenses bear to the simple average of total assets at the beginning and end of the financial year.

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF PROGRESSIVE BUILDING SOCIETY

We have examined the Summary Financial Statement of Progressive Building Society for the year ended 31st December 2019 which comprises the results for the year and financial position at end of year, together with the Summary Directors' Report.

Respective Responsibilities of Directors and Auditors

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

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, Strategic Report, 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.

We also read the other information contained in the Summary Directors' Remuneration Report contained in the Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Basis of Opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts, Strategic Report, Annual Business Statement and Directors' Report. Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those full Annual Accounts.

Opinion on Financial Summary Statement

In our opinion, the Summary Financial Statement is consistent with the full Annual Accounts, the Strategic Report, the Annual Business Statement and the Directors' Report of Progressive Building Society for the year ended 31st December 2019 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

Use of Our Report

This report is made solely to the Society's Members, as a body, in accordance with Section 76(5) of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's Members those matters we are required to state to them in an auditor's report 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, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Deloitte (NI) Limited

Deloitte (NI) Limited

Statutory Auditor
Belfast, Northern Ireland
27th February 2020

SUMMARY DIRECTORS' REMUNERATION REPORT

This additional report is provided, in accordance with good corporate governance practice, to give details of the Directors' Remuneration Policy and amounts of remuneration payable.

Remuneration Policy for Executive Directors

The Personnel and Remuneration Committee makes recommendations to the Board on the remuneration and contractual arrangements of the executive Directors and senior management. In arriving at its recommendations, the Committee has regard to the salaries and incentives payable to executives in similar roles within a peer group of building societies. Remuneration for executive Directors in 2019 includes a performance related element of 7.5% of salary. All eligible staff achieved the same performance-related pay element as a percentage of their salary.

Remuneration Policy for Non-Executive Directors

No Director is included in the process of determining their own fees.

Remuneration of the Chair is reviewed and set by the other Directors, led by the Senior Independent Director, taking into account the fees paid to the Chairs of comparable building societies in the UK.

The remuneration of the other non-executive Directors is determined by the Board Chair and the executive Directors having considered director remuneration conditions at other societies, the aim being to ensure that fees are in line with the amount paid to non-executive directors in similar positions at comparable organisations.

Non-executive Directors do not have service contracts, are not members of the Society's pension schemes and have no entitlements under performance related schemes.

Emoluments

The total emoluments of the Directors who served during the year were £812,000 (2018: £781,000), analysed as follows:

(a) To non-executive Directors for services as Directors

	2019 Fees £000	2018 Fees £000
M W Parrott (Chair)	49	49
G McGinn (Vice-Chair)	36	36
A Coles (Senior Independent Director)	32	32
M Cullen	29	29
K Furlong (Co-opted 1st January 2019)	26	-
K Jess	30	30
	202	176

SUMMARY DIRECTORS' REMUNERATION REPORT (Continued)

The annual amounts for services as non-executive Directors are set out in the table below:

	Fee £000
Chair	49
Standard non-executive Director	26
Additional fees:	
Vice-Chair	6
Senior Independent Director	3
Committee Chairs:	
Audit	4
Member Engagement & Conduct	3
Personnel & Remuneration	3
Risk	4

M Parrott and A Coles, who are domiciled in England, and M Cullen, who is domiciled in the Republic of Ireland, received additional taxable amounts to cover travel and accommodation costs of £6,000, £6,000 and £2,400 respectively.

A Coles and K Jess each received additional amounts of £1,500 for their roles as pension scheme trustees.

(b) To executive Directors for services in connection with the management of the Society

	Salary £000	Performance related £000	Benefits £000	Total £000
2019				
D Armstrong (Chief Executive)	219	16	16	251
M S Boyd (Deputy Chief Executive & Finance Director)	164	13	13	190
D Moore (Operations Director)	146	11	12	169
				610
2018				
D Armstrong (Chief Executive)	213	21	16	250
M S Boyd (Deputy Chief Executive & Finance Director)	159	16	13	188
D Moore (Operations Director)	142	14	11	167
				605

The increase in accrued pension for D Armstrong, M S Boyd and D Moore was £5,000 (2018: £4,000), £5,000 (2018: £5,000) and £7,000 (2018: £7,000) respectively.

The Personnel and Remuneration Committee conducts a comprehensive review of executives' remuneration using peer group analysis every three years. This review was last completed in early 2020 in relation to 2020 salaries.

All Directors are required to undertake training, as necessary, to enable them to maintain the competencies required for their roles. The performance of each Director is evaluated on an annual basis.

SOCIETY OFFICES

Head Office - Progressive House,
33 / 37 Wellington Place, Belfast BT1 6HH 028 9024 4926

BRANCH OFFICES

Ballymena - 79 / 81 Wellington Street
Wendy McClintock (Branch Manager) 028 2564 2845

Bangor - 6 Castle Street
Kerry MacDougall (Branch Manager) 028 9127 0348

Belfast - 7 Arthur Square
Kevin Flannery (Branch Manager) 028 9032 0573

Belfast - 33 / 37 Wellington Place
Kevin Flannery (Branch Manager) 028 9082 1821

Coleraine - 17 The Diamond
Lorraine Johnston (Branch Manager) 028 7032 9999

Enniskillen - 24 High Street
Patrick Maguire (Assistant Branch Manager) 028 6632 2470

Glengormley- 323 Antrim Road
Marina McBride (Branch Manager) 028 9083 9329

Lisburn - 3 Market Place
Ian Nelson (Branch Manager) 028 9260 2802

Londonderry - 3 Millennium Forum
Noel Murray (Branch Manager) 028 7137 2277

Newtownards - 4 Conway Square
Lyn Crawford (Branch Manager) 028 9181 9709

Omagh - 40 High Street
Julia Ellis (Customer Service Manager) 028 8225 0989

Portadown - 12 Market Street
Lynne Lyness (Branch Manager) 028 3833 0103

WEB ADDRESS

www.theprogressive.com

Information correct at the time of going to print (March 2020).

Progressive Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register Number 161841.



PROGRESSIVE

BUILDING SOCIETY