PROGRESSIVE
BUILDING SOCIETY

SUMMARY FINANCIAL STATEMENT 2021

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 they have a say in how the Society is run.

SUMMARY FINANCIAL STATEMENT

For the year ended 31st December 2021

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 either from the Society Secretary in writing or on the website (www.theprogressive.com) from 31st March 2022.

Approved by the Board of Directors on 24th February 2022 and signed on its behalf by:

Michael Parrott
Chair

Keith Jess
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 2021.

FINANCIAL REVIEW

Key Features of 2021:

- New lending in 2021 of £187 million.
- Gross loans and advances outstanding to customers at year end of £1,451 million.
- Total savings balances from individuals at year end of £1,461 million.
- A management expenses to average assets ratio of 0.87%, one of the best efficiency ratios in the building society sector.
- Pre-tax profit of £8.6 million and profit after taxation of £6.9 million.

Despite the uncertainty and market volatility around Brexit and Covid-19, the Society performed well, producing another profitable year 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 a robust performance in 2021, with profit after tax of £6.9 million (2020: £3.4 million).

Profit before tax increased to £8.6 million (2020: £4.2 million). The increase was larger than had been budgeted, resulting from a write back of provisions for bad and doubtful debts, and interest rate margin holding up better than anticipated.

Net interest income of £23.7 million (2020: £21.5 million) remained robust whilst the Society's net interest margin increased to 1.31% (2020: 1.18%).

This was driven mainly by reduced competition in the savings market and historically low interest rates as banks and building societies experienced increased funds inflows from savers as consumers had fewer outlets for their discretionary spend.

The Bank of England base rate remained at 0.10% until December when it increased to 0.25%. Savings rates in the market were subdued throughout 2021 as most financial institutions experienced savings inflows through the pandemic. However, the Society continued to provide value-for-money products which remained at or near the top of the local best buy tables and encouraged longer term savings habits. The Society's average savings rate for the year was 0.57%.

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 Society continues to maintain a low cost base, and management expenses (administration costs and depreciation) increased to £15.9 million (2020: £14.6 million) due to investments in people and technology while keeping a focus on cost control during the year.

The management expenses ratio increased to 0.87% (2020: 0.80%). 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 £187 million in 2021 (2020: £152 million). This was achieved in a very competitive mortgage market, at the same time as ensuring the safety of Members and staff, and developing technology system capabilities.

Progressive's mortgage proposition leads with a personal service, quality advice and responsible lending. Again, this proved popular with individual borrowers and brokers alike.

Our total gross mortgage assets amounted to £1,451 million at the year end (2020: £1,477 million). The Society's exposure to residential properties by way of mortgages was 99.8% of total mortgages. The Board remains committed to the owner-occupied nature of its loan portfolio which is located in Northern Ireland, a residential property market which the Society knows well, enabling sensible lending decisions to continue to be made.

In light of the uncertain economic conditions we have continued to adopt a conservative approach to mortgage provisioning. The provision for losses on all loans and advances to customers at 31st December 2021 was £4.0 million (2020: £5.6 million), which represented 0.28% (2020: 0.38%) of the total mortgage book. This decrease in provision resulted from the improvements in the economy and the local housing market during the year.

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 (Gilts and Treasury Bills), 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.

Capital strength and strong liquidity levels remain central to the Board's strategy. As a building society Progressive's capital strength comes from its reserves, which are made up almost entirely from the accumulation of its profits since it was formed in 1914. These act as a safety net to absorb losses should they occur in the future. The Society's capital position remains strong and well in excess of regulatory requirements.

Our success in attracting savings balances resulted in us holding higher levels of liquidity than a year ago. This places the Society in a good position to support future mortgage lending and ensures we will have funds available should Members require savings withdrawals. As with capital, we hold liquidity balances well in excess of regulatory requirements.

The Society continues to be predominantly funded by retail savings, which increased to £1,595 million at 31st December 2021 (2020: £1,568 million). Savings balances from individuals accounted for 87.1% (2020: 85.9%) of our total funding.

Through careful monitoring of rates and cashflows the Society was able to offer value-for-money rates, which were consistently at or near the top of local best buy tables, on bonds, regular savers, instant access and ISA products throughout the year.

The Society availed of £50 million of Term Funding Scheme money in February 2018. In October 2021, the Society rolled this funding into the Term Funding Scheme with additional incentives for SMEs. Under these schemes 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

The Northern Ireland economy performed better in 2021 than most commentators expected. Unemployment is now back below pre-Covid levels at 3.6% and local house prices increased by over 10% in the year, mainly due to supply issues. The outlook at the time of writing remains uncertain. On the positive side, the pandemic impact appears to be reducing, enabling an easing of restrictions which can only be positive for the economy. However, inflation is rising fast, driven by supply chain constraints and labour market shortages, and is expected to peak at over 7%. The Bank of England has reacted by increasing its base rate from 0.10% to 0.25% in December and then a further 0.25% increase in February.

The government support for consumers through mortgage payment holidays and the Job Retention Scheme have been withdrawn. It may take some time for us to understand the longer term impacts of the pandemic on the economy.

With this backdrop, the next 12 months look uncertain. Borrowers may struggle making mortgage payments due to increasing costs of borrowing and indeed general living costs. The Board remains confident that the robust lending criteria that the Society has operated for many years will mean that although we may well experience increased provisions for bad debts that this will not be of a magnitude to produce losses for the Society.

Staff costs will inevitably increase due to the increases in inflation as will the increasing costs of bringing a new digital channel to market for mortgages and savings, including the costs of ensuring the security of your personal data.

Our strong capital and liquidity bases meant that the impact on the Society's financial stability was lessened, enabling the Board to focus on the wellbeing of staff and customers as well as the ongoing strategic development of our digital programme.

Competition, particularly in the mortgage market, is likely to remain intense, but we have started the new year as we finished last year with strong business volumes through targeted pricing and underpinned by robust underwriting processes.

We will continue to 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.

We will continue with our prudent business model, offering our Members the products they need with exceptional levels of service.

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 2021 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 during the year of £84,000 (2020: £109,000).

GOING CONCERN & VIABILITY

The Directors consider that the Society has adequate resources to continue in operational existence and continue to meet its liabilities over the five year planning period and so they continue to adopt the going concern basis 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.

DIRECTORS

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

Name	Business Occupation
Michael W Parrott FCPFA	Chair
Keith Jess BSSc FCA	Vice-Chair
Gerard McGinn CBE BA (Hons) FIB	Senior Independent Director
Adrian Coles OBE MA	Non-Executive Director
Margaret Cullen BA MSc PhD	Non-Executive Director
Karen Furlong BA (Hons)	Non-Executive Director
Stephen Mitcham BA (Hons)	Non-Executive Director
Martin Pitt BSSc MAcc FCA	Non-Executive Director
Darina Armstrong MBE 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 has a strong framework for Board succession in place and this resulted in us being able to welcome two recently appointed non-executive Directors to the Society's Board.

Stephen Mitcham joined the Society on 1st November 2021. Stephen is a retired Chief Executive of a UK-based building society and brings with him a wealth of knowledge and experience of the sector.

Clare Guinness joined the Society on 1st January 2022. Clare is Innovation District Director at the Strategic Investment Board, having formerly been Chief Executive of Warrenpoint Harbour Authority. She also brings a wealth of property market, distribution and banking experience from her previous roles.

Stephen and Clare will offer themselves for election at the AGM in April.

Two non-executive Directors retired from the Board in 2021. Adrian Coles retired at the Annual General Meeting in April while Margaret Cullen retired at the end of December. The Directors would like to thank Adrian and Margaret for their commitment, support and wise counsel and to place on record the invaluable contributions they both made to the progress of Progressive during the seven years they each served on the Society's Board.

Your Board is made up of Directors who bring the diversity, experience and independence of mind necessary to ensure that Progressive continues to be well-governed and to secure its continuing success.

OFFICERS

The following persons held positions as Officers of the Society:

Name	Business Occupation
Peter G Lyttle BA	Society Secretary
Sarah McKegney BSc (Hons) ACA	Head of Operations
Ailsa L McNeill BA (Hons) 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

24th February 2022

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.

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 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.

£1,461m
TOTAL SAVINGS BALANCES FROM INDIVIDUALS

£1,451m
TOTAL GROSS MORTGAGES BALANCES

£8.6m
PRE-TAX PROFIT

0.87%
MANAGEMENT EXPENSES RATIO

£84,000
IN CHARITABLE DONATIONS

SUMMARY STATEMENT

For the year ended 31st December 2021

RESULTS FOR THE YEAR

	2021 £000	2020 £000
Net interest receivable	**23,728**	21,511
Other income and charges	**(208)**	(1,129)
Administrative expenses	**(15,900)**	(14,622)
Provisions for bad and doubtful debts	**965**	(1,607)
Provision for FSCS	**-**	26
Operating profit and profit for the year before tax	**8,585**	4,179
Taxation	**(1,724)**	(799)
Profit for the year	**6,861**	3,380

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

FINANCIAL POSITION AT END OF YEAR

	2021 £000	2020 £000
Assets		
Liquid assets	**358,990**	326,373
Mortgages	**1,445,750**	1,475,010
Fixed and other assets	**15,893**	14,412
Total assets	**1,820,633**	1,815,795
Liabilities		
Shares	**1,594,609**	1,567,951
Borrowings	**82,851**	107,310
Other liabilities	**9,862**	19,804
Reserves	**133,244**	120,660
Other reserves	**67**	70
Total liabilities and reserves	**1,820,633**	1,815,795

SUMMARY OF KEY FINANCIAL RATIOS

	2021 %	2020 %
As a percentage of shares and borrowings		
Gross capital	**7.95**	7.21
Liquid assets	**21.40**	19.48
As a percentage of mean total assets		
Profit for the year	**0.38**	0.19
Management expenses	**0.87**	0.80

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 (the "Society") for the year ended 31st December 2021, which comprises the results for the year, financial position at the end of the year and summary of key financial ratios together with the Summary Directors' Report.

Respective responsibilities of Directors and auditor

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

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, 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 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. The other information comprises only the Summary Directors' Remuneration Report.

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 Summary Financial 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 2021 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, United Kingdom
25th February 2022

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. In arriving at its recommendations, the Committee takes into account a variety of factors, including the comparative benefit packages of senior staff across a relevant peer group of building societies, the competitive market for financial services staff in Northern Ireland and macro-economic conditions. Remuneration for executive Directors in 2021 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 institutions 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 £855,000 (2020: £839,000), analysed as follows:

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

	2021 Fees £000	2020 Fees £000
M W Parrott (Chair)	**51**	50
K Jess (Vice-Chair from April 2021)	**33**	31
G McGinn (Vice-Chair to April 2021, Senior Independent Director from May 2021)	**35**	37
A Coles (Senior Independent Director to April 2021, retired April 2021)	**10**	30
M Cullen	**28**	30
K Furlong	**29**	27
S Mitcham (Co-opted November 2021)	**5**	-
M Pitt	**30**	27
	221	232

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

		Fee £000
Chair		51
Standard non-executive Director		27
Additional fees:		
Vice-Chair		6
Senior Independent Director		3
Committee Chairs:	Audit	4
	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, were due to receive additional taxable amounts in 2020 to cover travel and accommodation costs of £1,500, £1,500 and £600 respectively. These additional amounts were put on hold from March 2020 after which meetings were held virtually. Board and committee meetings were held virtually throughout 2021.

During 2021 K Jess and M Pitt each received additional amounts of £1,560 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
2021				
D Armstrong (Chief Executive)	**228**	**17**	**16**	**261**
M S Boyd (Deputy Chief Executive & Finance Director)	**170**	**13**	**13**	**196**
D Moore (Operations Director)	**152**	**11**	**14**	**177**
				634
2020				
D Armstrong (Chief Executive)	224	11	15	250
M S Boyd (Deputy Chief Executive & Finance Director)	167	8	13	188
D Moore (Operations Director)	149	7	13	169
				607

The increase in accrued pension for D Armstrong, M S Boyd and D Moore in 2021 was £5,000 (2020: £5,000), £4,000 (2020: £5,000) and £4,000 (2020: £8,000) respectively.

The Personnel and Remuneration Committee conducts a comprehensive review of executive Director fixed remuneration at least every three years in line with Board approved policy on the determination of fixed executive Director pay. 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	028 2564 2845
Bangor 6 Castle Street	028 9127 0348
Belfast 33 / 37 Wellington Place	028 9082 1821
Coleraine 9 The Diamond	028 7032 9999
Enniskillen 24 High Street	028 6632 2470
Glengormley 323 Antrim Road	028 9083 9329
Lisburn 3 Market Place	028 9260 2802
Londonderry 3 Millennium Forum	028 7137 2277
Newtownards 4 Conway Square	028 9181 9709
Omagh 40 High Street	028 8225 0989
Portadown 12 Market Street	028 3833 0103

WEB ADDRESS

www.theprogressive.com

Information correct at the time of going to print (March 2022).

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