



Help to find **YOUR**  
**happy**  
**place**



PROGRESSIVE  
BUILDING SOCIETY

SUMMARY  
FINANCIAL  
STATEMENT  
**2022**



## 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 that they can have a say in how the Society is run.

# SUMMARY FINANCIAL STATEMENT

For the year ended 31st December 2022

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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 Society's website ([www.theprogressive.com](http://www.theprogressive.com)) from 29th March 2023.

Approved by the Board of Directors on 28th February 2023 and signed on its behalf by:

**Keith Jess**  
Chair

**Martin Pitt**  
Vice-Chair

**Darina Armstrong**  
Chief Executive

# SUMMARY DIRECTORS' REPORT

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The Directors have pleasure in presenting the Summary Financial Statement for the year ended 31st December 2022.

## FINANCIAL REVIEW

### Key Features of 2022:

- New lending in 2022 of £267 million.
- Gross loans and advances outstanding to customers at year end of £1,517 million.
- Total savings balances from individuals at year end of £1,474 million.
- A management expenses to average assets ratio of 0.94%, one of the best efficiency ratios in the building society sector.
- Pre-tax profit of £9.2 million and profit after taxation of £7.9 million.

Despite difficulties caused by inflationary pressures, by economic and political uncertainty and by the cost-of-living crisis, the Society delivered successful results for 2022, maintaining a strong balance sheet and augmenting capital strength.

Total assets increased by £79 million during the year to £1,900 million (2021: £1,821 million) principally as a result of higher mortgage balances.

Profit before tax amounted to £9.2 million (2021: £8.6 million). This was higher than had been budgeted, largely due to better than anticipated income on interest rate swaps brought about by interest rate movements.

The Society's profit after tax was £7.9 million (2021: £6.9 million). As a mutual organisation, Progressive has no external shareholders and therefore has no requirement to pay dividends. Instead, profit is added to reserves to increase financial strength and provide additional security to Members.

Net interest income of £29.1 million (2021: £23.7 million) remained robust whilst the Society's net interest margin improved to 1.56% (2021: 1.31%). This was driven by movements in the Bank of England base rate which increased on each of the eight occasions the Bank's Monetary Policy Committee met in 2022, moving from 0.25% to 3.50%.

The Society continues to maintain a low-cost base, but management expenses (administration costs and depreciation) rose to £17.4 million (2021: £15.9 million) due to inflationary pressures throughout the year. As a result, the management expenses ratio increased to 0.94% (2021: 0.87%). This ratio remains amongst the lowest in the building society sector.

The Society continues to advance its 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 further rises in our cost base in the future, particularly in this high inflation environment.

The Society's new mortgage lending amounted to £267 million in 2022 (2021: £187 million) with the local housing market remaining buoyant in the face of challenging economic conditions. During the year we restructured our branch network and refocused our processes to improve efficiencies as costs increased and as we continued to grow our mortgage book. We offered competitive rates for our core residential mortgage products, while maintaining flexibility as our dedicated underwriting team considered each case on its merits. This approach has served our borrowing Members well for many years and will continue to ensure mortgage loans remain affordable for our borrowers as their incomes become squeezed.

Our total gross mortgage assets amounted to £1,517 million at the year end (2021: £1,451 million). 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 informed lending decisions 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 2022 was £5.2 million (2021: £4.0 million), which represented 0.34% (2021: 0.28%) of the total mortgage book. This increase in provision resulted from some borrowers experiencing difficulties in keeping up with their mortgage payments. It is anticipated that these problems will continue into 2023.

Liquidity balances remain robust at £368 million. Liquid assets are important for a building society to ensure that it will be able to pay liabilities as they fall due. For the Society, the main liabilities are savers making withdrawals, repaying wholesale funding, and advancing mortgage loans to borrowers. Progressive continues to hold high quality liquid assets 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.

The Society continues to be predominantly funded by retail savings which remained stable at £1,596 million year on year (2021: £1,595 million). Savings balances from individuals accounted for 84.4% (2021: 87.1%) of our total funding.

Wholesale money provides a secondary source of funding to the Society and includes funding from other financial institutions, corporates and local

authorities. In addition, the Society availed of £50 million from the Bank of England's Term Funding Scheme in February 2018 as a further source of funding. In October 2021, this was rolled for a further four year period into the Term Funding Scheme with additional incentives for SMEs. These schemes provide funding to banks and building societies at close to Bank of England base rate to encourage lending.

Capital strength remains 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 reserves enable the Society to invest in systems, technology and our premises for the benefit of our Members, to continue to offer competitive products and to act as a safety net to absorb losses should they occur in the future. The Society's reserves increased in the year due to profits after tax of £7.9 million and an improvement in the funding position of the Society's pension scheme of £8.7 million. The Society's capital position is well in excess of regulatory requirements.

## OUTLOOK

The Northern Ireland economy performed significantly better in 2022 than expected by many commentators. Unemployment was 2.8% at the end of November 2022 following the most active year in memory in the employment market. The local housing market also performed better than anticipated in the face of falling consumer confidence. House prices increased by 5% mainly due to demand outstripping supply for much of the year.

The outlook at the time of writing, however, looks uncertain with inflation at over 10% and the Bank of England likely to increase interest rates further in response. Borrowers may struggle to make mortgage payments due to the rise in borrowing costs 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 these will not be of a magnitude to produce unacceptable losses for the Society.

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, underpinned by robust underwriting processes.

With regards to technology, our online savings portal will be further enhanced in the coming months enabling online account opening. Meanwhile, online mortgage functionality continues to evolve. We have been improving the online mortgage offering with brokers and we will soon launch new capabilities for mortgage applications from individuals too. Members will continue to see improvements in online products and services.

Internal processes will be further reviewed and re-engineered to better utilise technology to allow our people to concentrate on more value-added tasks. This will also enable the Society to further grow our mortgage and savings Membership and balances as we improve efficiencies.

The Society is committed to investing in its people through training and recruitment where required. This commitment will be re-doubled in 2023 as we continue to build for the future.

Climate change is a live issue for all, and the Society is no different. We will carry on reducing our own impact on the environment, and we will also look at additional ways in which we can support Members in their efforts to lessen their carbon footprint through the range and design of our products.

The Society will complete its project to address the FCA's Consumer Duty requirements. Consumer Duty represents a considerable shift in the FCA's expectations and introduces a more outcome-focused approach to consumer protection. The Society always has its Members at the heart of its business and the new requirements will further embed this position. We will address all new requirements prior to the July 2023 implementation date.

Above all, we will continue to deliver on our core purpose as a mutual building society, which is to help people to buy their own homes and to provide a safe and secure home for savings.

## **STAFF AND AGENTS**

We have accomplished so much in the last few years, and this has only been possible because of the continued dedication of the Society's management and staff, and the agents who support them. Despite challenging market conditions, and changes in systems and procedures, they have continued to provide an excellent service to Members.

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

## **CHARITABLE DONATIONS**

We believe it is important to contribute to and support our local community. The Society made charitable donations of £136,000 during 2022 (2021: £84,000).

## **GOING CONCERN & VIABILITY**

The Directors consider that the Society has adequate resources to remain 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 (NI) Limited, 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
Keith Jess BSSc FCA	Chair from April 2022
Martin Pitt BSSc MAcc FCA	Vice-Chair from April 2022
Gerard McGinn CBE BA (Hons) FIB	Senior Independent Director
Karen Furlong BA (Hons)	Non-Executive Director
Stephen Mitcham BA (Hons)	Non-Executive Director
Clare Guinness BSc (Hons) CDir	Non-Executive Director
Paul Leonard BSc (Hons) MSc	Non-Executive Director
Michael W Parrott FCPFA	Chair until April 2022
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 in place for Board succession and this resulted in the appointment of Keith Jess as Chair in April 2022 and the appointment of a new non-executive Director, Paul Leonard, in May 2022.

Keith Jess had previously served the Board as Vice-Chair and became Chair when Michael Parrott retired from the post at the Annual General Meeting (AGM) in April 2022.

Paul Leonard is the Chair of the UK Finance NI Committee, having had a career in banking, corporate finance and accountancy. He brings a wealth of relevant experience to the Society's Board and will offer himself for election at the AGM in April 2023.

The Directors would like to thank the retired Chair, Michael Parrott, for his commitment, support, attention to detail and wise counsel and to place on record the invaluable contributions he made to the Board of Progressive since his appointment in 2012.

The Society's 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
Sarah McKegney BSc (Hons) ACA	Head of Operations
Ailsa L McNeill BA (Hons) PgDip	Head of Human Resources
Kyle McRoberts BSc (Hons) ACA	Society Secretary
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 trust and acknowledge that the Society's success could not be achieved without their support.

### **Keith Jess**

Chair

28th February 2023

# 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 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.



£1,474m

TOTAL SAVINGS BALANCES FROM INDIVIDUALS

£1,517m

TOTAL GROSS MORTGAGES BALANCES

£9.2m

PRE-TAX PROFIT

0.94%

MANAGEMENT EXPENSES RATIO

£136,000

IN CHARITABLE DONATIONS

# SUMMARY STATEMENT

For the year ended 31st December 2022

## RESULTS FOR THE YEAR

	2022 £000	2021 £000
Net interest receivable	29,104	23,728
Other income and charges	(802)	(208)
Administrative expenses	(17,438)	(15,900)
Provisions for bad and doubtful debts	(1,670)	965
Operating profit and profit for the year before tax	9,194	8,585
Taxation	(1,272)	(1,724)
<b>Profit for the year</b>	<b>7,922</b>	<b>6,861</b>

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

## FINANCIAL POSITION AT END OF YEAR

	2022 £000	2021 £000
<b>Assets</b>		
Liquid assets	368,373	358,990
Mortgages	1,494,342	1,445,750
Fixed and other assets	37,489	15,893
<b>Total assets</b>	<b>1,900,204</b>	<b>1,820,633</b>
<b>Liabilities</b>		
Shares	1,595,513	1,594,609
Borrowings	150,726	82,851
Other liabilities	4,460	9,862
Reserves	149,903	133,244
Other reserves	(398)	67
<b>Total liabilities and reserves</b>	<b>1,900,204</b>	<b>1,820,633</b>

## SUMMARY OF KEY FINANCIAL RATIOS

	2022 %	2021 %
<b>As a percentage of shares and borrowings</b>		
Gross capital	8.56	7.95
Liquid assets	21.10	21.40
<b>As a percentage of mean total assets</b>		
Profit for the year	0.43	0.38
Management expenses	0.94	0.87

## 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 2022, 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.

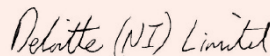
Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those full Annual Accounts.

## **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 2022 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  
Statutory Auditor  
Belfast, United Kingdom  
28th February 2023



## 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 2022 includes a performance related element of 9.25% 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 £904,000 (2021: £855,000), analysed as follows:

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

	2022 Fees £000	2021 Fees £000
K Jess (Chair from April 2022, Vice-Chair from April 2021)	47	33
M Pitt (Vice-Chair from April 2022)	36	30
G McGinn (Vice-Chair to April 2021, Senior Independent Director from May 2021)	35	35
K Furlong	31	29
S Mitcham (Co-opted 1st November 2021)	28	5
C Guinness (Co-opted 1st January 2022)	28	-
P Leonard (Co-opted 1st May 2022)	19	-
M W Parrott (Chair, retired April 2022)	18	51
M Cullen (Retired December 2021)	-	28
A Coles (Senior Independent Director to April 2021, retired April 2021)	-	10
	<b>242</b>	<b>221</b>

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

	Fee £000
Chair	53
Standard non-executive Director	28
Additional fees:	
Vice-Chair	6
Senior Independent Director	3
Committee Chairs:	
Audit	4
Personnel & Remuneration	3
Risk	4

During 2022 K Jess, M Pitt and C Guinness received additional amounts of £536, £1,607 and £1,072 respectively (2021: K Jess and M Pitt each received £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
<b>2022</b>				
D Armstrong (Chief Executive)	235	22	16	273
M S Boyd (Deputy Chief Executive & Finance Director)	176	16	13	205
D Moore (Operations Director)	157	15	12	184
				<b>662</b>
<b>2021</b>				
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
				<b>634</b>

The increase in accrued pension for D Armstrong, M S Boyd and D Moore in 2022 was £5,000 (2021: £5,000), £5,000 (2021: £4,000) and £4,000 (2021: £4,000) respectively.

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.

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 and is due to be completed again during 2023.

## 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](http://www.theprogressive.com)

Information correct at the time of going to print (March 2023).

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