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**happy
place**



PROGRESSIVE
BUILDING SOCIETY

SUMMARY
FINANCIAL
STATEMENT
2023



Purpose

We are passionate about helping local people to save and champion homeownership through our personal, caring and responsible approach.

Values

- We value the energy, drive and enthusiasm of our people.
- We build and strengthen relationships through trust, mutual respect and courtesy.
- We always work with honesty, fairness and integrity.
- We are passionate about supporting our community and our economy.
- We care about the impact we have on the environment.

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 2023

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) from 28th March 2024.

Approved by the Board of Directors on 27th February 2024 and signed on its behalf by:

Keith Jess
Chair

Martin Pitt
Vice-Chair

Michael Boyd
Chief Executive

SUMMARY DIRECTORS' REPORT

The Directors have pleasure in presenting the Summary Financial Statement for the year ended 31st December 2023.

FINANCIAL REVIEW

Key Features of 2023:

- New lending in 2023 of £280 million.
- Gross loans and advances outstanding to customers at year end of £1,599 million.
- Total savings balances from individuals at year end of £1,552 million.
- A management expenses to average assets ratio of 0.92%, one of the best efficiency ratios in the building society sector.
- Pre-tax profit of £15.6 million and profit after taxation of £11.8 million.

Despite intense competition in the local mortgage and savings markets, along with political and economic uncertainty which has impacted households across Northern Ireland, the Society has delivered a strong set of results for 2023.

Total assets increased by £63 million during the year to £1,963 million (2022: £1,900 million) principally as a result of higher mortgage balances.

Profit before tax amounted to £15.6 million (2022: £9.2 million). The Society's profit after tax was £11.8 million (2022:

£7.9 million). The Society benefitted from an increase in interest receivable on the receipt leg of interest rate swaps. Cost increases were experienced in the year, and we expect this to continue into 2024, alongside a reducing interest rate margin.

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 £35.9 million (2022: £29.1 million) remained robust whilst the Society's net interest margin improved to 1.86% (2022: 1.56%). This was driven by movements in the Bank of England base rate which started the year at 3.50% and was increased on five occasions by the Bank's Monetary Policy Committee in 2023, moving to 5.25%.

The Society continues to maintain a low-cost base, but management expenses (administration costs and depreciation) rose to £17.8 million (2022: £17.4 million) due to inflationary pressures throughout the year. The management expenses ratio decreased slightly to 0.92% (2022: 0.94%) primarily due to asset growth. 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.

The Society's new mortgage lending increased to £280 million in 2023 (2022: £267 million) despite the challenging economic conditions. During the year we restructured our lending processes to improve efficiencies and to enable scale 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 £1,599 million at the year end (2022: £1,517 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 2023 was £5.8 million (2022: £5.2 million), which represented 0.36% (2022: 0.34%) 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 2024.

Liquidity balances remain robust at £351 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 increased by £87 million to £1,682 million at year end (2022: £1,595 million). Savings balances from individuals accounted for 86.4% (2022: 84.4%) of our total funding. Savings rates offered by the Society were consistently at, or near, the top of local market rates throughout the year.

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 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 profit after tax of £11.8 million. The Society's capital position is well in excess of regulatory requirements, providing a strong platform for the future.

OUTLOOK

The Northern Ireland and broader UK economies are finely balanced at the beginning of 2024, and it is unclear

as to whether they will drop into recession caused by inflation and the cost-of-living pressures being felt by households. Unemployment levels may rise and house prices, which have been flat for a while now, are forecast to fall slightly. In addition, competition in the mortgage and savings markets is likely to intensify. All of these factors lead to a challenging business environment for the Society in 2024.

Progressive remains focused on the long-term benefits of membership for borrowers and savers and we have a strong financial base to weather the challenges ahead. We will continue to support our Members, partners and colleagues, and we will continue investing in our branch network and technology.

Internal processes are being re-engineered to better utilise technology, allowing our people to concentrate on more value-added tasks. This enables the Society to further grow our mortgage and savings membership and balances as we improve efficiencies. The transfer of our technology infrastructure from data centres to cloud will further increase efficiency and provide greater resilience and flexibility in storage capacity.

We know that our Members strongly support the face-to-face, quality service that is provided through our branch network. We will continue to serve our Members through any channel they chose – branch, telephone, email and digitally.

The Board is committed to providing our Members with products and services that meet their needs. Products must be simple, clear and transparent.

We will continue to offer good value products which are consistently well placed in the local best buy tables.

We will endeavour to reduce our own impact on the environment, and we will also look at additional ways in which we can support Members in their efforts to reduce their carbon footprint through the range and design of our products and services.

Above all, Progressive Building Society will continue to support new and existing Members to save and buy, build or improve their homes. Many challenges lie ahead but our traditional branch-based business model, augmented by technology and a prudent lending policy, will ensure we continue to be the provider of choice for many savers and borrowers.

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 £147,000 during 2023 (2022: £136,000).

GOING CONCERN & VIABILITY

The Directors are satisfied the Society has adequate resources to continue in operational existence for at least the next twelve months and to meet its liabilities over the five-year planning period and, therefore, it is appropriate to 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
Martin Pitt BSSc MAcc FCA	Vice-Chair
Karen Furlong BA (Hons)	Senior Independent Director from September 2023
Clare Guinness BSc (Hons) CDir	Non-Executive Director
Paul Leonard BSc (Hons) MSc	Non-Executive Director
Stephen Mitcham BA (Hons)	Non-Executive Director
Gerard McGinn CBE BA (Hons) FIB	Senior Independent Director to August 2023
Michael S Boyd BSc (Hons) FCA	Chief Executive from November 2023, Deputy Chief Executive & Finance Director to October 2023
Declan Moore BA MBA	Operations Director
Gareth Robinson BSc (Hons) CGMA	Finance Director from November 2023
Darina Armstrong MBE BA (Hons) MSc FIB FCA	Chief Executive to October 2023

The Society has a strong framework in place for succession and refreshing the Board and in August 2023 Gerry McGinn, our Senior Independent Director, retired as planned from the Board. Gerry was previously Chair of the Risk Committee and a former member of each Board Committee. His depth and breadth of experience from the banking and public sectors, along with his people skills, will be missed on the Board.

We have recently begun a process to attract two new non-executive Directors who will join the Board in the coming months to enable a period of induction prior to our next planned retirement in 2024.

Our Chief Executive, Darina Armstrong, retired at the end of October 2023 after 13 years at the helm and with over 30 years at Progressive. Her time managing the Society was a period of many challenges, from the increased regulatory environment, to Brexit, to the pandemic, and finally to the highest inflation levels since the late 1980s. Darina led the Society through these challenges successfully, at the same time strengthening capital, building the technology infrastructure and starting the growth phase of the Board's strategy.

Following a robust external recruitment process, we appointed Michael Boyd as Darina’s successor. Michael has been with the Society for 28 years in various finance and risk roles, and latterly served as Deputy Chief Executive & Finance Director for the last 13 years.

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

27th February 2024

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 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.



£1,552m

TOTAL SAVINGS BALANCES FROM INDIVIDUALS

£1,599m

TOTAL GROSS MORTGAGES BALANCES

£15.6m

PRE-TAX PROFIT

0.92%

MANAGEMENT EXPENSES RATIO

£147,000

IN CHARITABLE DONATIONS

SUMMARY STATEMENT

For the year ended 31st December 2023

RESULTS FOR THE YEAR

	2023 £000	2022 £000
Net interest receivable	35,927	29,104
Other income and charges	(1,654)	(802)
Administrative expenses	(17,757)	(17,438)
Provisions for bad and doubtful debts	(925)	(1,670)
Operating profit and profit for the year before tax	15,591	9,194
Taxation	(3,838)	(1,272)
Profit for the year	11,753	7,922

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

FINANCIAL POSITION AT END OF YEAR

	2023 £000	2022 £000
Assets		
Liquid assets	351,375	368,373
Mortgages	1,587,722	1,494,342
Fixed and other assets	24,258	37,489
Total assets	1,963,355	1,900,204
Liabilities		
Shares	1,682,123	1,595,513
Borrowings	113,085	150,726
Other liabilities	7,359	4,460
Reserves	160,032	149,903
Other reserves	756	(398)
Total liabilities and reserves	1,963,355	1,900,204

SUMMARY OF KEY FINANCIAL RATIOS

	2023 %	2022 %
As a percentage of shares and borrowings		
Gross capital	8.96	8.56
Liquid assets	19.57	21.10
As a percentage of mean total assets		
Profit for the year	0.61	0.43
Management expenses	0.92	0.94

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 2023 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.

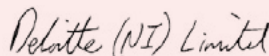
Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those full Annual Accounts.

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 2023 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
29th February 2024

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 2023 includes a performance related element of 7.0% of salary (2022: 9.25%). 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 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 £922,000 (2022: £904,000), analysed as follows:

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

	2023 Fees £000	2022 Fees £000
K Jess (Chair from April 2022, Vice-Chair to April 2022)	54	47
M Pitt (Vice-Chair from April 2022)	41	36
K Furlong (Senior Independent Director from September 2023)	34	31
C Guinness	30	28
P Leonard (Co-opted May 2022)	34	19
S Mitcham	30	28
G McGinn (Senior Independent Director to August 2023, retired August 2023)	22	35
M W Parrott (Chair, retired April 2022)	-	18
	245	242

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

	Fee £000
Chair	54
Standard non-executive Director	30
Additional fees:	
Vice-Chair	7
Senior Independent Director	3
Committee Chairs:	
Audit	4
Personnel & Remuneration	3
Risk	4

During 2023, M Pitt and C Guinness each received additional amounts of £1,704 (2022: K Jess, M Pitt and C Guinness received additional amounts of £536, £1,607 and £1,072 respectively) 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
2023				
M S Boyd (Chief Executive from November 2023, Deputy Chief Executive & Finance Director to October 2023)	194	14	14	222
D Moore (Operations Director)	166	12	9	187
G Robinson (Finance Director from November 2023)	28	2	2	32
D Armstrong (Chief Executive to October 2023, retired October 2023)	208	15	13	236
				677
2022				
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
				662

The increase in accrued pension for D Armstrong, M S Boyd and D Moore in 2023 was £3,000 (2022: £5,000), £5,000 (2022: £5,000) and £5,000 (2022: £4,000) 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 2023 in relation to 2023 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

BRANCH OFFICES

Ballymena

79 / 81 Wellington Street
BT43 6AD

Bangor

6 Castle Street
BT20 4ST

Belfast

33 / 37 Wellington Place
BT1 6HH

Coleraine

9 The Diamond
BT52 1DE

Enniskillen

24 High Street
BT74 7EH

Glengormley

323 Antrim Road
BT36 5DY

Lisburn

3 Market Place
BT28 1AN

Londonderry

3 Millennium Forum
BT48 6EB

Newtownards

4 Conway Square
BT23 4DD

Omagh

40 High Street
BT78 1BP

Portadown

12 Market Street
BT62 3JY

SAVINGS HELPLINE

Phone: 028 9016 0950

Opening Hours: Monday - Friday, 9am - 5pm

MORTGAGE HELPLINE

Phone: 028 9016 0949

Opening Hours: Monday - Friday, 9am - 5pm

WEB ADDRESS

www.theprogressive.com

Information correct at the time of going to print (March 2024).

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