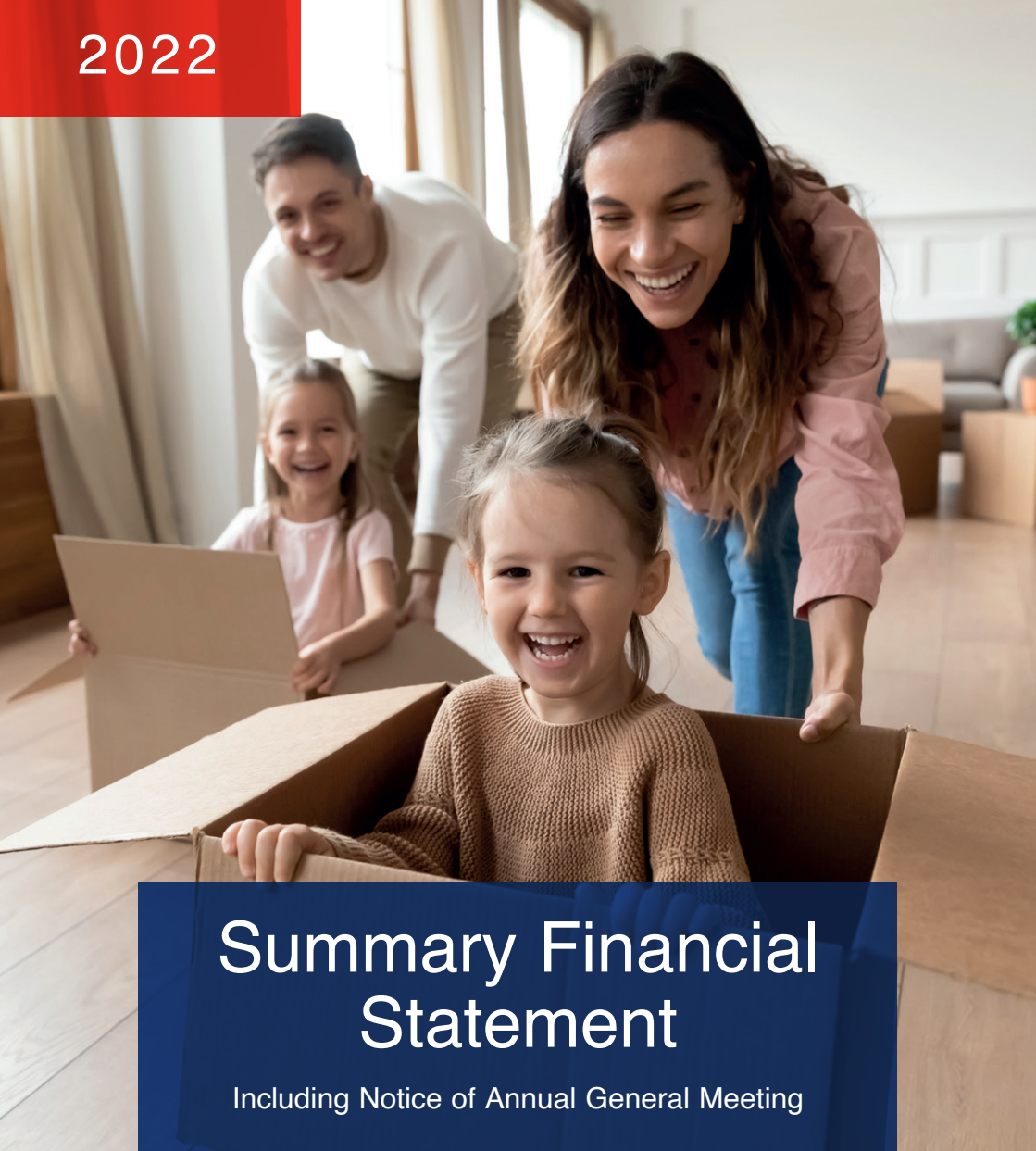


2022



Summary Financial Statement

Including Notice of Annual General Meeting

esbs

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SUMMARY FINANCIAL STATEMENT

For the year ended 31st March 2022

This financial statement is a summary of information in the audited Annual Accounts, Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand at every office of the Earl Shilton Building Society (esbs) from 20th June 2022.

Approved by the Board of Directors on 16th May 2022.

M J RICE	Board Chair
P TILLEY	Director & Chief Executive
S T WIGFULL	Finance Director

CHAIR'S STATEMENT

1. Overview of the Society's results

With the background of yet another challenging year, I am proud to report very positive business performance by the Society. These are the headlines and specific details can be found in our Chief Executive's report, which is the next section:

- Record mortgage advances of over £27 million;
- Continued positive feedback from our members;
- Healthy pre-tax profit over £840,000; and
- Mortgage book growth of over 4%.

Because we are a mutual organisation, our profits after tax are added to the Society's reserves, and these continue to strengthen our resilience and ability to invest for the future, for the long term benefit of our members.

I am particularly thankful to the Society's colleagues who have persevered through the impact of a second year of COVID-19 and periods of remote working; they are a great team and have been instrumental in achieving our strong results this year.

2. A review of the year in detail

The impact of the COVID-19 pandemic

Although I had hoped the Coronavirus pandemic would have abated, yet again this virus continues to affect our lives.

Lockdown measures were still in force at the beginning of the business year in 2021 and these protected the vulnerable whilst the inoculation programme against COVID-19 reached as many people as possible. Freedom day (as it became known) occurred in the summer of 2021 and we regained our liberty for a few precious months, but as we neared Christmas the pandemic returned in a new guise (known as the Omicron variant, being much more infectious and transmissible than the previous Delta variant).

Christmas and New Year passed with soaring rates of infection caused by Omicron, but mercifully, hospitalisations and the rate of people dying were contained at much lower levels due to the booster programme and the wonderful efforts of all those involved in delivering that marvellous endeavour, as well as members of the public exercising caution in their own social interactions. The Government

at Westminster chose not to reintroduce lock-down measures over the festive period, reverting instead to a 'Plan B' with compulsory face masks for certain settings.

The normalisation of life with COVID-19 as a background infection will play out over the course of this year but with a further booster programme initiated for elderly people in March, I hope we will gradually view this virus as akin to seasonal flu.

The periods of disruption we endured last year required the Society's colleagues to be adept in different ways of working (and to be resilient to the strain which that creates), especially the expectation of working from home during part of the business year. I know I speak for the whole of the Board when I say we were impressed by how our colleagues rose to this challenge with fortitude and support for each other and feel very proud that we have been able to maintain the standards of service our members deserve, despite such strong headwinds.

The return of inflation

During the early months of the business year, the Board observed inflation starting to emerge in the economy, something which many have little experience of. And as members will know, the rate of inflation has accelerated considerably in the past six months, causing price increases sometimes to levels unheard of in the last two decades. The root cause of the current bout of inflation stems from shortages in the supply of certain raw materials and an increased demand for gas, as the world economy has emerged from the pandemic and levels of production in economies have increased. However, inflation can become endemic as it works its way through a domestic economy and impacts prices and costs in different and indirect ways.

We are very conscious of the real impact on our members as soaring energy costs and increases in the prices of household staples are outstripping wage and pension increases, with worrying predictions by the Bank of England of an effective cut in household income greater than was seen in the 1970's.

Some economic forecasters are expecting inflation to fall back to more manageable levels in 2023 but Russia's invasion of Ukraine (and the sanctions that have been used against Russia by the International Community) may well impact the UK's economy and delay or deflect that anticipated downward adjustment.

The Chancellor has attempted to intervene with some support to households but for many, it will be a tough time ahead.

The impact of inflation has quickly worked through into the operational cost of running the Society. A number of our core suppliers have increased their prices for the services we buy from them to a larger extent than we might have anticipated six months ago. Although the Society will always consider alternative suppliers (where it would be operationally viable to switch), we have found that the market as a whole has hardened this year. As a result we are having to absorb the increase in our cost base and recognise that our management expenses ratio in future may be less favourable than the outturn we have achieved this year.

Of course, inflation has a direct impact on our colleagues. Our pay awards this year have been designed to help them keep up with the rising cost of living, and also ensure we remain an employer who can attract talented individuals to support your Society's continued development.

As part of our budgeting for the coming year, the Board have considered all the inflationary cost increases and although they are unwelcome, we are satisfied that the Society can continue to develop for the benefit of its members in future years. However, adjusting to higher levels of inflation (whether just for this year or longer, depending upon how international developments play out) will be challenging and requires the Society to strive for innovation and service excellence in our core activities of savings and mortgages, to maintain our place in a highly competitive marketplace.

The outlook for the economy and interest rates

The UK's economy had proved to be surprisingly resilient last year, despite the lockdown measures in force for part of the year. However, in March this year the British Chamber of Commerce published a revised forecast for the UK's economy, projecting domestic product growth in 2022 of 3.6%, reduced from 4.2% in its previous forecast in December 2021 and less than half the growth of 7.5% recorded last year. The downgrade largely reflects a deteriorating outlook for consumer spending and a weaker than

expected rebound in business investment. Equally, the latest Bank of England update has raised the prospects of a recession and whilst the war in Ukraine continues, we might expect this uncertainty to persist, especially as the globalisation of the world economy may begin to unravel, as western nations transition away from reliance on Russian oil and gas and economic sanctions against Russia work their way backwards into western economies.

In my report last year I observed how the idea of negative interest rates was being considered by the Bank of England, as part of its monetary tool kit. In the event, the re-ignition of price inflation has pushed away the prospect of negative rates and in fact there have been three increases in the Bank of England's 'base rate' (which acts as a reference rate for other rates of interest in the economy) to the end of our business year. At the time of writing the base rate is still just 1% but most commentators expect it to rise further over the course of the coming year.

The Society has made an adjustment to its interest rates for savers and borrowers and will continue to monitor how the market reacts to any further changes in the Bank of England's base rate as we go into our new business year, so that we remain competitive.

As I have noted in previous annual reports, the Society has been mindful of our savings members being faced with exceptionally low returns. I personally hope the Bank of England's movement in its base rate will bring some cheer to the rates we can pay in the near term, although, unfortunately, I would not expect interest rates on savers accounts to climb to anywhere near where they were 13 years ago (when the Bank of England consciously reduced interest rates to a record low, to support the financial system).

Help for our borrowing members who face financial difficulty

Overall, we have very low levels of mortgages that are behind with their payments, which I believe is a testament to our careful approach to mortgage lending. Members who do face difficulties are personally contacted and their circumstances carefully considered, so that we can agree to ways to help them to get back on track. If, for any reason, you have, or think you may in future run into, difficulties with payments on a mortgage you hold with the Society please contact us as soon as possible so we can determine how we might be able to help.

Climate change

Although international events that have unfolded in Ukraine since the end of February have cast a long shadow, climate change (the subject of the COP26 meeting in October and November 2021 in the UK) remains a matter of concern for all humanity.

We are supporting the government's target of achieving a net zero carbon economy by 2050 (that is to say, completely negating carbon emissions by using alternative sources of energy that do not emit carbon dioxide, or capturing and absorbing any carbon that is released, to limit increases in the Earth's temperature, which causes a danger to our climate), and we will be looking at ways to reduce the Society's carbon footprint in the immediate future.

The Society only lends to borrowers to support home ownership, and in consequence we are not like the major banks, some of whom will have exposures to the energy sector and heavy industry. For that part of financial services, significant adjustments to accommodate net zero will be necessary. However, we have been assessing the impact of future climate change on the Society's balance sheet, particularly taking account of extreme weather events and future flooding risk to homes and considering whether provisioning for future losses needs to be provided for from our capital reserves. This work has been completed during the year.

The Society is happy to support our borrowing members by considering a further advance on their existing mortgage, where the purpose is to make their homes energy efficient and if appropriate, to reduce their own carbon footprint. So far, we are not actively promoting this type of additional lending because the effectiveness of the types of technology on the market are just starting to become clear and it may be sometime before the optimum route to increase energy efficiency in an older home is settled (for example, we understand the Government will bring forward an Energy Bill that contains measures to promote heat pumps and initiate trails into hydrogen heating systems). This is an evolving area, and the Society wants to be clear what affordable and effective technology will look like in the future, beyond currently established methods (such as increasing installation and installing photovoltaic panels).

3. Board changes

During the last year we welcomed Mr Christopher Greenwell as a Non-Executive Director, as part of our succession planning process. He is standing for election at this year's Annual General Meeting. Mr Greenwell is a highly experienced solicitor who held a senior position in a national law firm at their Leicester Office. He is also a trustee of LOROS, the Leicestershire Charity that provides respite for people suffering with cancer. Mr Greenwell's legal expertise will support the Board in the future, and I am delighted he has joined the Society as a Non-Executive Director.

4. And finally

I have to report that I am planning to retire from the Board at the Society's Annual General Meeting in July. This is to ensure we remain in compliance with the UK's Corporate Governance Code, which the Society voluntarily follows, and which requires a non-executive director to normally serve no longer than nine years. It also provides an opportunity for the Chair's role to be refreshed, which is sensible and makes sure the corporate governance of the Society remains independent and robust.

The Board have undertaken a rigorous process to determine who they wish to appoint as the Society's new Chair and details are expected to be announced at the Annual General Meeting, subject to regulatory approval having been given by then.

It has been an honour to be associated with the Society since I joined the Board in 2013 and I am sincerely appreciative of all the support I have received throughout that period. I wish my colleagues all the best in their future stewardship of the Society and remain confident Earl Shilton Building Society will continue to thrive and serve its members for many years to come.

M J RICE Board Chair

16th May 2022

CHIEF EXECUTIVE'S REPORT

Introduction

That change is the only constant in life seems to succinctly sum up the last few years for the Society, the world and everyone in it. The Chair's Statement highlights the economic, financial and people impacts of global and UK events – we stand ready to continue to adapt for the benefit of members and the ongoing sustainability of your Society.

Against this I am pleased to report the Society has achieved another highly successful year with key metrics of mortgage growth, profitability, retention of high quality liquidity and robust capital measures, and continued control of costs showing positive outcomes in a challenging environment.

To demonstrate the Society's resilience the business did not take any government support or furlough any colleagues during the pandemic.

It is testament to our colleagues' tenacity, dedication, and commitment that the Society has continued to provide the service members need. We have permanently adjusted certain practices and processes that were introduced as temporary COVID-19 measures given the benefit they have produced; our satisfaction survey outcomes clearly demonstrate that you welcome the service we provide but we are not complacent and will strive to go further to make your experience with us even better.

I would also like to take this opportunity to thank you, our members, for your ongoing support – it does really make a difference to us. The last two years have really been about us all pulling together so I'd like to record my sincere personal thanks to everyone.

The Society is owned by you, our members, and your best interests are at the heart of everything we do. Offering competitive products allied to a first class service is our core strategic aim.

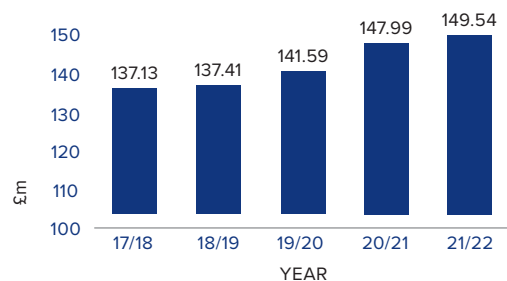
Growth

The last twelve months have seen the Society continue to grow the business, with increasing balances held by personal savers and owed by borrowers, despite the challenging external environment and highly competitive mortgage market.

Sadly, it was necessary to restrict and suspend new saving account opening to manage retail inflow during the year; this was a deliberate policy to sensibly reduce liquidity for financial efficiency but retain its high quality and accessibility.

The Society continues to evolve its lending proposition and is cognisant of the evolving economic situation in order to continue to effectively manage credit risk. Our aim remains to prudently lend through external challenges. In this respect, we seek out many underserved borrowing segments of the mass market – our proposition to those looking to build their own home is one example.

Total Assets by Year



Mortgage balances are at an all-time high of over £120m and increased by over 4% year-on-year. This was driven by record new lending in any one year of over £27m, increasing year-on-year by over £5m. Activity was high in the property and mortgage markets during the year, with many people seeking to move to more rural locations with greater open space following the impact of COVID-19 lockdowns. However, a number of our borrowers took the sensible decision to repay their debt from their own funds, which may have been driven by their concern over the worsening economic situation.

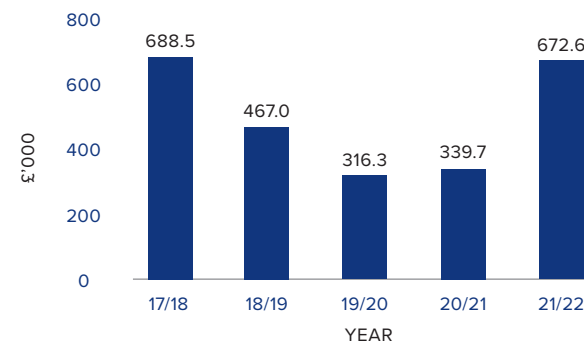
Profit / Capital

The level of profit reported this year shows a material increase from last year driven by an increase to the difference between rates paid to savers and charged to borrowers. Profit is used to further strengthen our financial resilience – as a mutual we look to optimise but not maximise returns – and to allow investment in the business moving forward to enhance our proposition to members.

In addition, the Society was able to release certain provisions which boosted profit for this year as a one-off item.

Capital, which is the accumulation of profit over the years, continues to increase as an absolute number and in percentage terms. Our capital ratios remain robust, significantly greater than both regulatory and internal requirements, and the Society remains in a very sound and stable financial position.

Profit for year after taxation in £'000

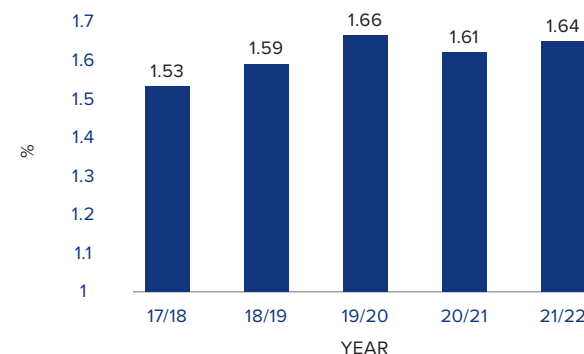


Management Expenses

Expenses as a percentage of assets have modestly increased both as a result of continued investment in people and systems, and also reflects inflationary pressure as mentioned in the Chair's Statement. However, this investment ensures members continue to receive the level of service they have come to expect.

Each and every expenditure item is subject to evaluation and contracts with external suppliers are regularly reviewed to ensure they remain value for money.

Management Expenses as a % of average total assets



Members

The pandemic caused a significant financial impact to many borrowers and the cost of living challenges are likely to affect many. We continue to offer constructive assistance and forbearance to those impacted and will continue to do so further into the future. Pleasingly, year-on-year the number of borrowers in arrears or needing assistance has reduced which is, in part, testament to the Society's careful underwriting of new business and an effective and supportive collections process delivered by compassionate colleagues.

The number of customers with the Society increased during the last calendar year, which was pleasing given that for many months the Society had to suspend new savings account opening to control funds inflow. Furthermore, 96% of new members, when asked during the last business year, stated they would recommend the Society to others – a very pleasing result.

These outcomes clearly demonstrate that members retain confidence in the Society. I remain passionate that we must continually seek ways to improve on the products and service we provide to members, and to simplify the processes we use.

Other Matters

The work undertaken in the community and charitable activities continues to play an important part in delivering a social contribution and retaining our heritage and culture. Given the restrictions of the last two years, in-person activity has been severely curtailed but has been switched, where possible, to other delivery mechanisms including our popular branch based token scheme to support charities.

The Society supports colleagues who wish to embark in charitable activity and additional leave is permitted for this purpose. In addition, the Society provides access to medical insurance and well-being mechanisms for all colleagues as a caring and compassionate employer. The Society remains committed to a diverse, equal and inclusive culture where everyone can be heard and listened to.

In terms of awards, we have recently won for the second successive year the “Personal Finance Awards” “Best Self-Build Mortgage Lender” run by “The Money Pages” and was voted for by consumers. In addition, we have again been nominated by “What Mortgage” in the same category but at the time of writing results have not yet been announced.

I would also like to thank all our business partners, particularly the mortgage intermediary community, for assisting in the delivery of these results, and for their continued service to us during ever changing times.

Looking Forward

The economic path forward is uncertain due to the effects of worldwide events, uplifts in inflation and cost of living challenges. There is a likelihood that credit conditions will deteriorate. However, the Society is financially and operationally well positioned to continue to grow and develop in a sensible and controlled manner, within defined risk appetites.

Our capital ratios remain very healthy and they support our aspiration to continue to grow the Society at a controlled and prudent rate. Importantly, this will not be at the expense of taking on unknown and greater lending risk. Continuing to expand our distribution further, both direct to market and via the intermediated area, will help drive this growth aspiration.

Market conditions, particularly price competition, are expected to remain intense and how consumer confidence reacts to the affordability challenges will be vital to the performance of the economy. The Society expects economic growth to be modest and recession cannot be ruled out, with further rises in interest rates to curb inflation. The latter will be welcome news for savers, but the Society is aware that borrowers may need support and it will be on offer. We are planning for steady profitability moving forward, lower than this year, whilst retaining our enviable financial stability. The cost base, driven by technology changes and continued development and reward of colleagues, is likely to increase with inflation a factor. Intense mortgage competition and increased retail funding interest rates are likely to impact profitability, but this has been factored into our decision making and forecasting.

The Society remains committed to a digitisation strategy and we have recently entered into revised contractual arrangements with our key technology partner to assist with deployment. This development will be carefully managed so as to provide member benefit in a secure manner. Technological changes directed toward simplification and improvement, and automation and integration will continue to be identified and deployed where needed. Online onboarding of new savings members coupled with electronic withdrawal facilities is a medium term aspiration as are enhancements to our mortgage intermediary portal. The Society’s investment in technology will continue but does come at an increased cost.

Providing customer contact choice remains key – members should be able to decide how they communicate with us.

The Society is currently developing its climate change strategy and already permits borrowing to facilitate improvements to property to increase energy efficiency and reduce the carbon footprint. In addition, the

Society has been actively recycling for many years. The Society is currently improving its Head Office building with the installation of photovoltaic panels to improve its estate energy efficiency.

As you will have read in the Chair’s Statement, Martin Rice is planning to retire this year. On a personal level I would like to take this opportunity to thank Martin for his ongoing support and guidance over the years which has been invaluable, and I know I say, on behalf of the Board, that we all wish Martin a very long, happy and relaxing retirement.

As I conclude it is worth reflecting that the Society has, so far, successfully navigated its way through the many turbulent times in its long history and will continue to do so. We remain here to serve you to the best of our abilities. I hope everyone stays well for many years to come.

P TILLEY Chief Executive

16th May 2022

SUMMARY DIRECTORS’ REPORT

Donations and Community Support

As a local Society the Directors believe that it is important to support worthwhile causes in a prudent manner. No donations were made for political purposes (2021: nil) and listed below are organisations that the Society has helped during the year to 31st March 2022. In total the Society made contributions of support amounting to £4,400 (2021: £5,744), including charitable donations of £3,450 (2021: £1,918).

AGE UK; Action Homeless; ADAPT Prembabies; Heart Link; The Laura Centre; Leicester Animal Rescue; Leicestershire Action For Mental Health Project; Leicestershire & Rutland Wildlife Trust; Steps Conductive Education Centre; Wizeup Financial Education; Women’s Aid Leicestershire.

In addition, the Society and staff supported Heart Link (East Midlands Heart Care Association), which was the Society’s nominated charity for the year.

Conduct Risk / Treating Customers Fairly

The Directors expect the Society to treat its customers fairly at all times. We would ask our members to let us know if they consider that we have not achieved this important commitment on any occasion. Do please contact our Chief Executive or the Senior Independent Director at the Society’s Head Office in this regard. The Directors are determined to maintain the highest standards of honesty, integrity and fairness in the culture and conduct of the Society for the benefit of members.

The Society assesses and monitors culture via the Treating Customers Fairly & Conduct Risk Outcomes Management Information Report, emanating from the Retail Conduct of Business Risk Appetite Statement. Additionally, the Society has a Mission Statement and a Culture Statement. Cultural insights such as employee surveys, exit interviews, whistleblowing procedures and training data are used to review culture.

If a member has any significant matter they wish to bring to the attention of any Committee Chair they are invited to do so by contacting the Society’s Secretary.

Staff

We believe in the value of personal service and have avoided a call centre approach to dealings with our members. The Directors know that our staff are the “front line” in dealing with our members and wish to thank all the team for their continued dedication and hard work.

Financial Results and Key Performance Indicators

Key performance indicators for the last three years are shown below:

	2022	2021	2020
Gross capital	£12.96m	£12.29m	£11.95m
Operating profit before impairment and provisions	£770,703	£457,667	£453,877
Profit for the year after taxation	£672,625	£339,686	£316,272
Total assets	£149.54m	£147.99m	£141.59m
Mortgage balances	£120.10m	£115.04m	£110.30m
Share balances	£131.76m	£131.06m	£123.61m
Liquidity ratio as a percentage of shares & borrowings	20.92%	23.67%	23.45%
Management expenses as a percentage of average total assets	1.64%	1.61%	1.66%

An explanation of the terms used above is as follows:

Gross capital represents the accumulation of profit for the Society over the years and provides protection for savers and a fund against future losses.

Operating profit before impairment and provisions shows the difference between interest charged to borrowers and paid to savers after allowing for fee and commission income/expenses and the expenses of running the Society.

Profit for the year after taxation takes into consideration provisions (or recoveries) on loans, investments and other assets and liabilities as well as Corporation Tax. It is added to general reserves each year.

Total assets indicate the overall size of the Society and the resources available to generate future returns.

Mortgage balances equate to the total amount owed to the Society by borrowers less accumulated impairment loss.

Share balances represent the total sum invested by personal savers.

Liquidity ratio as a percentage of shares & borrowings refers to the Society's liquid assets as per the balance sheet and is used to meet commitments as they fall due.

Management expenses as a percentage of average total assets provide a cost ratio when compared to the Society's average size over the year.

Capital and Profit

Whilst delivering asset growth the Society maintained a strong capital position throughout the year. The Society uses a number of measures of capital as shown in the following table.

	2022	2021
Gross capital as a % of total assets	8.67%	8.30%
Operating profit before impairment and provisions as a % of average total assets	0.52%	0.32%
Core tier 1 equity capital as a % of shares and borrowings	9.51%	9.07%
Risk-weighted core tier 1 ratio	25.43%	24.77%
Leverage ratio (note a)	8.57%	8.19%

Note a: The leverage ratio is a simplified measure of capital strength, calculated by dividing the core tier 1 capital by total assets plus mortgage commitments.

The risk-weighted core tier 1 ratio and the leverage ratio are measures of capital strength defined under UK regulations, and in both cases the Society's ratio is significantly higher than that required by the regulators. It is important that the Society maintains healthy profit levels to support its growth and to be able to continue its lending programme.

Interest Margin

The net interest margin represents net interest receivable as a percentage of average total assets. This year, that has increased to 2.16% (2021: 1.91%).

Total Assets

Total assets increased to £149.54m (2021: £147.99m), an increase of 1.05% (2021: 4.52%).

Liquid assets, as at 31st March 2022, in the form of cash and authorised securities were £28.49m (2021: £32.06m) which is 20.92% (2021: 23.67%) of shares and borrowings. These liquid assets, which are not lent to mortgage borrowers, have decreased during the year as a percentage of shares and borrowings. They are maintained at a level which balances operational efficiency whilst enabling the Society to meet all its commitments as they fall due. Liquid assets remain above the Board's internal assessment of its minimum requirements and the minimum regulatory requirement.

Mortgage Lending

During the year £27.49m (2021: £22.45m) was advanced to borrowers to buy, refinance or improve their properties. Total mortgage balances at the end of the year amounted to £120.10m (2021: £115.04m). Mortgage balances increased in the year by £5.06m (2021: £4.74m), an increase of 4.41% (2021: 4.29%). In common with other building societies, we experienced a number of cases in which borrowers could not meet their mortgage commitments. It continues to be the Society's policy to look at each individual case and try to make suitable arrangements which may include extending the term for repayment, temporary payment deferral or converting a capital and interest repayment mortgage to interest only. There were three (2021: sixteen) mortgage accounts with forbearance measures at the end of the year. Provisions for impairment were £322,100 at the year-end (2021: £395,154). At 31st March 2022 there was one (2021: one) mortgage account which was twelve or more months in arrears, more details on mortgage balances in arrears are given in note 21 on page 53 of the Annual Report. There were no properties in possession (2021: nil) at the year end. The Society recognises a provision for the impairment of a mortgage asset where there is objective evidence that a loss event has occurred which may impact the future cash flows expected from the asset. This is explained further in note 1 of the accounts.

Shares and Deposits

Savers' and depositors' balances, which excludes amounts owed to credit institutions, increased by £0.76m (2021: increased by £6.57m) and amounted to £136.18m (2021: £135.42m), an increase of 0.56% (2021: increase of 5.10%). The retail savings market continues to account for substantially all of the Society's funding, although at 31st March 2022 the Society also held £0.50m of short-term wholesale borrowing from other financial institutions (2021: nil).

VOTING

We are going to donate 40p per valid vote received (up to a maximum of £1,000) to charity. As a mutual organisation, we do try to involve our members and we believe this is a tangible acknowledgement of membership participation.

Last year, as a result of your votes, we donated £295 to Heart Link, and £205 to Action Homeless. Once again two charities are on the Representative Form, and you decide which of the two receives 40p for your valid AGM vote. The choices are:-

HEART LINK – Charity Registration No. 513946 (www.heartlink-glenfield.org.uk)

Heart Link was established in 1981 as a support group for parents and families who had a child suffering from a heart defect. Since then, they've become increasingly committed to improving facilities for their young patients, their families and providing much needed valuable medical equipment at Leicester's Glenfield Hospital. Their contributions to Glenfield Hospital have included a specialised playroom, a helipad, and more innovative technology. All of this requires a great deal of funding, so Heart Link is immensely grateful for all donations.

Please consider giving your vote to HEART LINK

ACTION HOMELESS - Charity Registration No. 702230 (www.actionhomeless.org.uk)

Action Homeless is a Leicester-based charity dedicated to improving the lives of those affected by homelessness, and has offered its support to individuals and families in the city and across Leicestershire for the past 40 years. Visitors to any of the charity's centres are given access to a broad range of services that aim to tackle the causes and consequences of homelessness, while the expert team of staff and volunteers work to ensure that people leave with a place to call home and the skills and resources to maintain independence.

Please consider giving your vote to ACTION HOMELESS

DIRECTORS

The following persons were Directors of the Society during the year: Ian M Dale, Christopher R Greenwell, Darren J Hickman, Laura J Mackie, Martin J Rice, Alex C Robinson, John Stables, Paul Tilley and Stephen T Wigfull.

Ian M Dale is the Society's Senior Independent Director. Ian is an experienced former building society senior manager and will be pleased to look at any issues members might have that they would prefer not to raise in the usual way with the Society's Management Team or Board Chair.

John Stables and Stephen T Wigfull retire by rotation and, being eligible, offer themselves for re-election. In accordance with Rule 26(1), Christopher R Greenwell also offers himself for election by the members. In the Notice of Annual General Meeting you will find brief biographical notes on the Directors standing for re-election and election.

At 31st March 2022 no Director had any interest in shares of any associated body of the Society.

*On behalf of the Board of Directors
M J RICE Board Chair*

16th May 2022

SUMMARY STATEMENT

	2022 £	2021 £
SOCIETY'S RESULTS FOR THE YEAR		
Net interest receivable	3,213,455	2,769,730
Other income and charges	1,215	16,362
Administrative expenses	(2,443,967)	(2,328,425)
Operating profit before provisions	770,703	457,667
Provisions for impairment of loans and advances	73,054	(37,569)
Provisions released for FSCS levy	-	-
Profit for the year before taxation	843,757	420,098
Taxation	(171,132)	(80,412)
Profit for the year	672,625	339,686
FINANCIAL POSITION AT END OF YEAR		
Assets		
Liquid assets	28,491,025	32,056,327
Mortgages	120,103,693	115,035,502
Fixed and other assets	940,795	896,316
Total Assets	149,535,513	147,988,145
Liabilities		
Shares	131,762,961	131,056,781
Borrowings	4,420,850	4,364,782
Other liabilities	393,831	281,336
Reserves	12,957,871	12,285,246
Total Liabilities	149,535,513	147,988,145

SUMMARY OF KEY FINANCIAL RATIOS

	2022 %	2021 %
Gross capital as a percentage of shares and borrowings	9.51	9.07
Liquid assets as a percentage of shares and borrowings	20.92	23.67

As a percentage of mean total assets:

Profit after taxation	0.46	0.23
Management expenses	1.64	1.61

Gross capital as a percentage of shares and borrowings

Gross capital comprises general reserves. The gross capital ratio measures the proportion which the Society's capital bears to the Society's liabilities to holders of shares and deposits (investors). Gross capital provides a financial buffer 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 total assets held in the form of cash, short-term deposits and debt securities bear to the Society's liabilities to investors. The Society operates within a defined range of liquidity ratios which is sufficient to meet requests by members for withdrawals from their accounts and to make new mortgage loans.

Profit for the year as a percentage of mean total assets

The profit/assets ratio measures the proportion that the Society's profit after taxation for the year bears to the average of the Society's total assets during the year. The Society aims to make a reasonable level of profit in order to maintain its capital strength. However, a building society does not have to pay dividends to equity shareholders as a company does. The Society is therefore able to operate safely with lower profits than a bank.

Management expenses as a percentage of mean total assets

The management expenses ratio measures the proportion that the Society's administrative expenses bear to the average of the Society's total assets during the year.

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS AND DEPOSITORS OF EARL SHILTON BUILDING SOCIETY

Opinion on the Summary Financial Statement

On the basis of the work performed, as described below, in our opinion the Summary Financial Statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 March 2022 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

We have examined the Summary Financial Statement of Earl Shilton Building Society ('the Society') for the year ended 31 March 2022 which comprises the Results for the year and the Financial Position at the end of the year, together with the summary Directors' report.

Basis for Opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts and disclosures included in the Summary Financial Statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 March 2022, including consideration of whether, in our opinion, the information in the Summary Financial Statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 March 2022.

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

Our report on the Society's full annual accounts is unqualified and describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

Directors' responsibilities

The directors are responsible for preparing the summary financial statement within the Summary Financial Statement, in accordance with applicable United Kingdom law.

Auditor's responsibilities

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Financial Statement with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

Timothy West (Senior Statutory Auditor). For and on behalf of BDO LLP, Statutory Auditor
London, UK, 16th May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

DIRECTORS' REMUNERATION REPORT

Introduction

The purpose of this Report is to inform members of the current policy for remuneration of the Society's Directors including the two Executive Directors. In particular, the Report provides details of the different elements of the Executive Directors' remuneration and explains the process for determining them. The Report also notes details of incentive payments where these are made to both the Executive Directors and members of staff.

An advisory resolution will be put to the Society's AGM inviting members to vote on the Directors' Remuneration Report.

The Society complies with the relevant aspects of the FCA's Remuneration Code.

Remuneration Policy

The Society's Policy is to remunerate its Executive Directors through a combination of salary and benefits, which are regularly compared with other building societies and comparable financial institutions.

The Remuneration Committee

The Committee comprises three Non-Executive Directors. It is responsible for determining the remuneration levels of the Executive Directors, as well as the Board Chair and senior staff within the Society.

The Committee recommends to the Society's Board fee levels for Non-Executive Directors and salary and benefit levels for all other members of staff. The Committee meets at least twice a year. The members of the Committee during the year are detailed on page 18 of the Annual Report. Staff morale is subject to ongoing review by the Committee. Staff opinions are periodically sought via anonymised surveys.

The Committee takes account of the UK Corporate Governance Code 2018, as far as it is relevant and appropriate to an organisation of our size.

Executive Directors' Remuneration

This aspect of the Remuneration Policy is designed to attract and retain high calibre and well-qualified Executives, having the skills and experience necessary to lead a small but sophisticated business operating in a highly regulated market. To achieve this, the Committee seeks to ensure that the overall level of remuneration awarded to the Executive Directors is fair, competitive, simple and reasonable by comparison to remuneration offered by similar building societies and equivalent financial institutions, as well as the contribution made by the Executive Directors to the success of the Society during the year. Executive Director remuneration is considered alongside staff remuneration. The basis for the increase in Executive Director pay is determined by a "Competency Framework" which includes business and individual performance metrics. Staff are notified of the percentage increase in Executive Director pay.

The Remuneration Committee operates independently and its discussions and recommendations to the Society's Board are free from influence by the Executive Directors.

Basic Salary

Basic salaries are reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations.

Incentives

A non-contractual payment calculated as a percentage of basic salary has been paid to all staff, including Executive Directors, in December for a number of years. The percentage amount is variable year on year with all staff receiving the same. This year a non-contractual payment of 3.00% of basic salary was paid (2021: 1.75% plus £500). The Society does not currently operate any incentive schemes linked to performance.

Benefits

The Society offers other taxable benefits to Executive Directors including a fully expensed car, health care provision and permanent health insurance. As an alternative, a cash allowance is available in substitution for a fully expensed car and will be included in basic salary.

Pension Benefits

The Society operates a contributory money purchase scheme and makes contributions for all qualifying staff, including Executive Directors. Pension contributions are calculated against basic salary only. The pension contribution rate for the Executive Directors is the same as the staff contribution rate.

Contractual Terms

The service contract terms for Executive Directors include a notice period of not less than six months by the individual and the same period by the Society. These terms are not alterable in the event of a transfer of engagements to another Society where employment is to be terminated.

Non-Executive Directors' Remuneration

All Non-Executive Directors are remunerated by fees which are reviewed annually and compared with other building societies and relevant comparable institutions. The Board Chair, Chair of the Audit Committee, Chair of the Risk & Compliance Committee, Chair of the Remuneration Committee and the Senior Independent Director also receive additional payments reflecting the additional duties and responsibilities of their roles. The Chair of the ALCO currently receives no additional payment given his concurrent role as Chief Executive.

Non-Executive Directors do not receive a salary or other taxable benefits and do not have service contracts, but are entitled to claim reimbursement of expenses incurred on behalf of the Society.

Further Information

Details of remuneration paid to all Directors are shown on the next page. No compensation arrangements are entered into which might reward poor performance.

The Remuneration Committee's complete Terms of Reference are available for download on the Society's website at the following address: www.esbs.co.uk.

During the period to which this report relates, the Chair of the Remuneration Committee was Laura J Mackie.

L J MACKIE

Chair of the Remuneration Committee

16th May 2022

DIRECTORS OF THE SOCIETY REMUNERATION DETAILS ARE SET OUT BELOW:

2022

	Fees	Salary	Benefits	Pension scheme contributions	Total
	£	£	£	£	£
Non-Executive Directors					
M J Rice (Board Chair)	26,960	-	-	-	26,960
I M Dale	19,180	-	-	-	19,180
C R Greenwell	9,288	-	-	-	9,288
D J Hickman	22,768	-	-	-	22,768
L J Mackie	19,180	-	-	-	19,180
A C Robinson	18,577	-	-	-	18,577
J Stables	22,768	-	-	-	22,768
Executive Directors					
P Tilley (Chief Executive & Secretary)*	-	115,081	17,072	11,009	143,162
S T Wigfull (Finance Director)	-	76,542	11,089	7,431	95,062
Total 2022	138,721	191,623	28,161	18,440	376,945

2021

	Fees	Salary	Benefits	Pension scheme contributions	Total
	£	£	£	£	£
Non-Executive Directors					
M J Rice (Board Chair)	26,562	-	-	-	26,562
P E Beardsmore (Vice-Chair)	12,598	-	-	-	12,598
I M Dale	18,897	-	-	-	18,897
D J Hickman	7,909	-	-	-	7,909
S A Lawrence	7,822	-	-	-	7,822
L J Mackie	20,836	-	-	-	20,836
A C Robinson	6,664	-	-	-	6,664
J Stables	22,432	-	-	-	22,432
Executive Directors					
P Tilley (Chief Executive & Secretary)*	-	112,315	17,119	10,846	140,280
S T Wigfull (Finance Director)	-	73,708	11,126	7,195	92,029
Total 2021	123,720	186,023	28,245	18,041	356,029

*P Tilley sold part of both his 2020/21 and 2021/22 annual leave entitlement and payment for this is included in the salary figures.

Included in the salary of Executive Directors are incentive payments amounting in 2022 to 3.00% of base salary (2021: 1.75% plus £500). The benefits shown above relate to car and health care.

SUMMARY CORPORATE GOVERNANCE REPORT

Overview

The Board is committed to best practice in Corporate Governance as it affects the Earl Shilton Building Society. The Board has voluntarily chosen to follow most of the principles of the UK Corporate Governance Code 2018 where they are considered relevant (and the Board deems them appropriate) to an organisation of this size and lack of complexity.

The Board assumes full responsibility for the overall strategy, the operation of the Society and the monitoring of performance. The Directors continue to believe that members are best served by the Society retaining its mutual status.

The AGM provides members with an opportunity to engage with the Directors either formally or informally. To encourage voting, the Society will financially support two charities, each of which will receive a donation based on the number of votes received. We use member questionnaires to obtain views on the Society. In the event of a significant vote (20% or more) against any resolution at the AGM, the Society would seek feedback from the membership to identify if any remedial action was considered necessary by the Board.

Principal Functions Of The Board

The principal functions of the Board are to:-

- set the Society's strategy and risk appetite;
- measure its progress;
- ensure sufficient resources are available to meet the objectives;
- ensure the Society is prudently managed; and
- comply with all legal and regulatory requirements that affect the Society.

The Board meets at least nine times a year and separately undertakes a formal review of strategy at least annually. Additional Board meetings take place when required.

The Board Chair is responsible for the leadership of the Board, setting its direction and culture and ensuring effective contributions from all Directors.

The Board reviews the composition of the Committees on an annual basis to ensure each Committee has the appropriate expertise. Likewise, the Board reviews the Committees' Terms of Reference to ensure they remain relevant and up to date. These are available on request from the Society's Secretary and on the Society's website at www.esbs.co.uk.

The Board delegates certain functions and in some situations decision making to various Committees. During the year the following Committees were in operation:

- Assets & Liabilities Committee
- Audit Committee
- Risk & Compliance Committee
- Nominations Committee
- Remuneration Committee
- Lending Committee

Balance and Independence

The offices of Board Chair and Chief Executive are distinct and are required to perform different duties. No one person may fulfil both roles. The Board Chair is responsible for leading the Board, ensuring its effectiveness and communicating with the Society's members on behalf of the Board. The Chief Executive is responsible for implementing the strategy agreed by the Board and managing the Society's business and operations within the parameters set by the Board.

The Senior Independent Director is Ian M Dale who is available to members if they have concerns regarding their membership of the Society and do not wish to contact either the Board Chair or Chief Executive.

The Non-Executive Directors periodically meet without the Executive Directors in attendance to provide further evidence of independent judgement.

Board Appointment and Professional Development

The Board regularly assesses the range of skills and experience of the Directors to determine if they match the needs of the business currently conducted and that being developed.

Recruitment of Directors follows a rigorous, formal and transparent procedure and once a Director is appointed an induction process is undertaken.

All Directors must meet the tests of fitness and propriety expected by the PRA and the FCA. All Directors who hold a Senior Management Function ("SMF"), as prescribed by the PRA and the FCA, must be registered with the regulators as an Approved Person. Directors who do not hold a SMF must be notified to the regulators.

The Board Chair ensures that the Directors are provided with sufficient information and training to enable them to discharge their duties as Directors.

Directors must stand for re-election at least every three years in accordance with Rule 26 of the Society's Rules. The Board expects that, in accordance with the UK Corporate Governance Code 2018, Non-Executive Directors will serve for a maximum period of nine years but in exceptional circumstances this may be extended and in those circumstances, the Non-Executive Director concerned will be required to stand for annual re-election. The Board considers all Non-Executive Directors to be independent in character and opinion except the person holding the role of Board Chair who can only be considered independent at the date of appointment.

In respect of John Stables and Stephen T Wigfull who are standing for re-election this year and Christopher R Greenwell who is standing for election, the Board considers that they continue to be effective, committed to the Society and provide the balance of skills and experience to enable the Board to discharge its duties.

In respect of the role of Board Chair, from which Martin J Rice is planning to retire in July, the Board has a succession plan in place and details of which are expected to be announced at the Society's next Annual General Meeting.

All Directors are annually appraised individually with Directors taking responsibility for their development needs in conjunction with the Board Chair. The Board Chair evaluates the contribution made by all other Directors. The Board Chair is similarly evaluated by the other Directors led by the Senior Independent Director. The Board, ALCO, Audit Committee and Risk & Compliance Committee are individually subject to an annual self-evaluation.

The Board is responsible for the appointment and scrutiny of the Executive Directors as well as holding them to account and ultimately for their removal.

M J RICE Board Chair

16th May 2021

Note - Members with more than one investment account may receive a copy of this Summary Financial Statement in respect of each such account. The administrative cost of removing duplicate statements exceeds the cost of printing and postage of the extra copies.

Earl Shilton Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

A schedule of interest rates paid during the year ended 31st March 2022 is included in the AGM pack.

CONTACT AND OTHER INFORMATION

Postal address:	22 The Hollow, Earl Shilton, Leicester LE9 7NB
Website address:	www.esbs.co.uk
Telephone number:	01455 844422
Fax number:	01455 845857
Email address:	enquire@esbs.co.uk

DIRECTORS

Martin J RICE LLB LLM (Distinction), Board Chair
Ian M DALE ACA, Senior Independent Director
Christopher R GREENWELL LLB (Appointed 1st October 2021)
Darren J HICKMAN FCCA ACIB
Laura J MACKIE BA BSC ACIB
Alexander (Alex) C ROBINSON MBA BEng
John STABLES BA BFP FCA
Paul TILLEY JP ACIB CeRGI CeMAP
Stephen T WIGFULL CA MMATH MSc

CHIEF EXECUTIVE & SECRETARY

Paul TILLEY JP ACIB CeRGI CeMAP

FINANCE DIRECTOR

Stephen T WIGFULL CA MMATH MSc

INTERNAL AUDITORS

RSM UK Risk Assurance Services LLP

EXTERNAL AUDITORS

BDO LLP Chartered Accountants and Statutory Auditor

Member of the Building Societies Association

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 165th Annual General Meeting of the members of Earl Shilton Building Society will be held on Wednesday 13th July 2022 in The Hall, Age UK Senior Citizens Centre, Kings Walk, Earl Shilton, LE9 7NL at 6.00 p.m. for the purposes shown below. Please note that the holding of a physical meeting is based on current government Covid guidance. Should this guidance change, for the safety of staff and members, we may need to once again hold the meeting via 'Zoom' where members will be able to listen/watch accordingly. If there is to be a change then notices will be displayed in branch, on our website and via Social Media.

- 1 To receive the Auditors' Report.
- 2 To approve the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31st March 2022.
- 3 To approve the Directors' Remuneration Report.
- 4 To re-appoint BDO LLP as auditors until the conclusion of the next Annual General Meeting.
- 5 Election of Directors
 - (a) To re-elect STEPHEN THOMAS WIGFULL
 - (b) To re-elect JOHN STABLES
 - (c) To elect CHRISTOPHER RANALD GREENWELL
- 6 To transact any other business permitted by the Rules of the Society.

By Order of the Board

PAUL TILLEY
Chief Executive and Secretary

16th May 2021

BIOGRAPHICAL NOTES OF THE DIRECTORS STANDING FOR ELECTION – AGM 2022

Stephen Wigfull – To Be Re-elected

Stephen Wigfull, CA, MMath, Msc, joined the Society in 2016, and became Finance Director in 2019. He shares the esbs values of promoting saving and home ownership.

After qualifying as a chartered accountant in 2007, Stephen previously worked for Barclays Bank and is passionate about efficient financial analysis and positive strategic decision making.

John Stables – To Be Re-elected

John Stables, BA, BFP, FCA, a Chartered Accountant, joined esbs as a Non-Executive Director in 2017 and is also the Chair of the Audit Committee and a member of the Society's Nominations Committee.

With over four decades of business experience in finance and general management, John has dedicated his expertise to help the Society in delivering continual benefits to members.

John is also an advisor to a Leicester based law practice.

Chris Greenwell – To Be Elected

Chris Greenwell, LLB Solicitor joined esbs in 2021 as a member of the Nominations Committee, the Remuneration Committee and the Risk and Compliance Committee. Qualifying as a solicitor in 1986, he practised across a wide range of litigation until 2021, and believes his extensive career experience is well-suited to help esbs continue to perform in the market place.

A trustee of LOROS since 2014, Chris Greenwell is also a committee member of the children's rugby charity, Wooden Spoon.

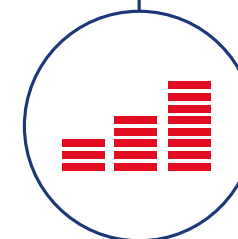
2022 Annual Results



Pre-tax Profit
£843,757



Total Assets
£149.54m



96%
of new members said
they would recommend
esbs to others



Total mortgage
balances up over
to an all-time high of
4%
£120m

Savings and mortgages as individual as you.

esbs

22 THE HOLLOW, EARL SHILTON, LEICESTER LE9 7NB

 01455 844422  www.esbs.co.uk  enquire@esbs.co.uk

Branch office: Malt Mill Bank, Barwell, Leicester



Earl Shilton Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority