


2023



Summary Financial Statement

Year Ended 31st March 2023

Including Notice of Annual General Meeting

esbs

 as individual as you

SUMMARY FINANCIAL STATEMENT

For the year ended 31st March 2023

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 3rd July 2023.

Approved by the Board of Directors on 22nd May 2023.

A C ROBINSON	Board Chair
P TILLEY	Director & Chief Executive
S T WIGFULL	Finance Director

CHAIR'S STATEMENT

1. Overview of the Society's results

In my first year as Chair of the Society, I am pleased to report that despite the difficult economic times, the Society continues to demonstrate very positive business performance. I have detailed the headline figures below but the specific details can be found in our Chief Executive, Paul Tilley's, report, which is the next section:

- Record mortgage advances of over £29 million;
- Shares balance from individual savings members up £9 million year-on-year;
- Continued positive feedback from our members;
- Healthy pre-tax profit of over £650,000;
- Mortgage book growth of over 5%; and
- Total asset growth of over 8%.

Although we delivered a healthy pre-tax profit this year, in November the Board took a conscious decision to reward savers ahead of increases in interest rates for our borrowers. This had the effect of reducing our profit, but we believe this is the appropriate approach both in the interests of our members and the long-term sustainability of the Society.

2. A review of the year

The Market

It has been a challenging economic environment, but the UK housing market remained relatively buoyant even with the headwinds of the conflict between Ukraine and Russia, high inflation and the corresponding cost of living crisis, and significant increases in interest rates. However, in recent months house prices have begun to soften as costs continue to rise and the interest rate increases filter through to mortgage payments. I am pleased to report that although arrears have increased, which is often the case when interest rates increase significantly leading to pressure on household budgets, they are at a modest level,

for further detail see page 53 of the Annual Report. Having said that, our Mortgage Team are closely monitoring the situation and can provide appropriate support as needed. In particular, members who do fall behind on payments 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 that you may have future difficulties with payments for one of our mortgages, please contact us as soon as possible so we can determine how we might be able to help.

The 'mini budget' instigated a dash to fixed interest rate mortgages. This also coincided with the Society launching a fixed interest rate mortgage to aid with retention, so the Mortgage Team was very busy.

With regard to our savers, finally members were beginning to see some meaningful interest rates. We took note of the eight Bank of England Base Rate hikes in the year and in November increased the savings interest rates ahead of our mortgage customers. With all these things, there is a fine balance between improving savers' interest rates but also being mindful of the implications of higher interest rates for our borrowers. The Board took the view that we should support our savers and borrowers and we invested some of our profits to achieve this. It also resulted in some strong inflows of savings balances, as highlighted above, and mortgage applications, and we prudently balanced the savings inflows with mortgage lending.

Inflation

Although there were expectations that inflation would begin to rescind, it is still high and at the time of writing CPI was 10.1% for the year to 31st March 2023. This clearly has consequences for the economy as a whole and wage inflation. The Board carefully balanced providing pay rises and one-off payments to help colleagues with the sharp increases in costs, but we were mindful of achieving this in the context of delivering sustainable profit, whilst being an attractive employer and supportive to existing (and future) employees. We expect the cost of living challenge to continue as inflation works its way through the economy. We have also seen significant cost increases from a number of suppliers and in particular our IT costs, where we expect further increases as we improve our systems and technology. As a consequence, we expect that our management expenses ratio will continue to be under pressure, but we will look to ways to improve our efficiency and to prudently grow our revenue streams.

Climate Change

The Board continues to integrate climate considerations into our business strategies and risk management processes and the Board is also mindful of the physical and transitional effects of climate change and the associated financial risks and economic consequences, both for all, including the Society and its members. As part of our net zero carbon strategy, we are planning to install solar panels at our Head Office. In addition, although there is still debate as to the best green heating solution, we will continue to support our borrowing members by considering a further advance on their existing mortgages, where the purpose is to make their homes more energy efficient and if appropriate, to reduce their own carbon footprint. We will also continue to monitor developments in legislation, such as the implications of low EPC ratings, and technology and aim to support our members as alternatives evolve but also to understand the financial risks for the Society and our borrowers.

Board Changes

I would like to start by paying tribute to Martin Rice, who was Chair of the Society until July 2022, having served in that role for eight years and was a member of the Board for nine years in total. During those years, the market and regulation transformed significantly. Martin also had to deal with the complications of COVID-19 and all the intricacies of lockdown, social distancing and holding the team together. It is a credit to his stewardship and his personal qualities that the Society has continued to prosper and grow. On behalf of the Board, I would like to thank Martin for his support and guidance, and we wish him well in his retirement.

Looking to the future, the Board as a whole values diversity and inclusion and within the retirement cycle, we will look to recruit suitable replacements.

Looking Forward

Although these are uncertain times, we continue to plan for the future. We will invest in our people, in particular our Mortgage Team capacity, and systems, to improve our service offering and efficiency. We will also continue with the migration of our IT systems to the cloud and look to use technology to enhance

our service levels for both our members and mortgage brokers. We pride ourselves on our personal service and we will continue to treat customers as individuals and aim to provide consistently fair mortgage and savings rates. The Society strongly values its heritage and the trust of our members and will ensure that they remain at the heart of how we operate. We also look forward to the introduction of the Consumer Duty regulation, which is consistent with our customer centric approach, and is designed to enhance the service and protection of retail customers. As you can imagine, the Society's team has been working hard to be ready when Consumer Duty goes live on 31st July 2023.

Finally, I would like to thank all the Board Members and my colleagues for their continued support and dedication to deliver long-term sustainable value for our members.

A C ROBINSON
Board Chair

22nd May 2023

CHIEF EXECUTIVE'S REPORT

Introduction

I am pleased to report another successful year for the Society during turbulent times over the last 12 months. This is testament to the organisation's ability, being the people within it, to take change in its stride. The business continues to grow and thrive for the benefit of the customers of today, tomorrow and beyond.

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.

The key metrics of mortgage growth, optimised but not maximised profitability, retention of high quality liquidity and robust capital measures continue to provide enviable financial stability for the Society and offers confidence to you as a member.

Costs have increased this year because of inflation but this was expected and managed within budget. In addition, the Society continues to reward its people and invest in systems to ensure we provide members with a deeply personal and relevant service allied to effective security controls.

I would like to take this opportunity to thank you, our members, for your ongoing support – it does really make a difference to us.

The Society is only as good as the people who work within it and I continue to be proud of the dedication, professionalism and collaborative approach that colleagues demonstrate every day and so I would like to record my sincere personal thanks to everyone.

You, our members, own the Society and your best interests are at the heart of everything we do. Offering competitive products allied to a first class service remains our core strategic aim.

Growth

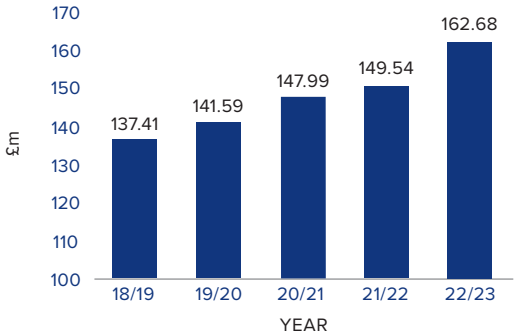
The last twelve months have seen the Society continue to grow the business, with increasing balances held by personal savers and owed by borrowers, despite the challenging external environment and highly competitive mortgage market. I was pleased to see that the Society pushed through the £150m assets barrier in the year ending with over £160m as at 31st March 2023 but without any material change to the Society's credit risk appetite.



Sadly, it was necessary to restrict and suspend new savings account opening to manage retail inflow during the year; this was a deliberate policy to sensibly manage liquidity for financial efficiency and to retain its high quality and accessibility. However, it did demonstrate that our products remain competitive and relevant, and this funding was used, in part, to enable our mortgage programme to flourish.

The Society continues to evolve its lending proposition and is cognisant of the challenging 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 – for example, we help those looking to build their own home and for those self-employed borrowers where an individual approach to affordability is taken.

Total Assets by Year



Mortgage balances are at an all-time high of over £125m and increased by over 5% year-on-year. Record new lending in any one year of nearly £30m drove this, and was generated through effective marketing, increased distribution and product pricing. This was despite the uncertainty of the property and mortgage markets caused by political and economic impacts, which led to higher mortgage rates for many. A number of our borrowers took the sensible decision to repay or reduce their debt from their own funds, which may have been driven by their concern over the worsening economic situation.

The Society refined its approach to existing borrowers to enable them, where conditions permitted, to switch to another product, including our first deployment of fixed rate mortgages, to assist during the cost of living challenges. This proved successful with record numbers taking advantage to switch products.

Profit / Capital

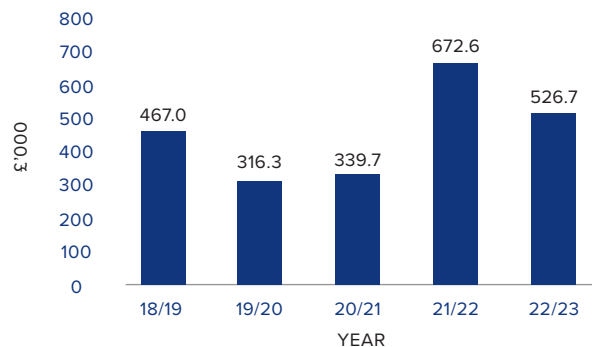
The level of profit reported this year shows a decrease from last year driven, as alluded to in the Chair's Statement, by the Society's decision to increase, on average, savers' interest rates more than those charged to borrowers and delaying a mortgage rate increase as long as was financially sensible. We have also increased borrowing rates much less than the increase in the Bank of England base rate to mitigate the cost increase for borrowers during a period of stressed finances for many.

Profit is used to further strengthen our financial resilience – as a mutual we look, as mentioned earlier, to optimise but not maximise returns – and to allow investment in the business moving forward to enhance our proposition to members. In addition, this year, given the cost of living challenges for savers and borrowers, we have deliberately reduced our profit to return value to members.

Profit was also impacted as the Society increased its impairment provision given the wider economic situation.

Capital, which is the accumulation of profit over the years, continues to increase as an absolute number and in percentage terms on a risk-weighted basis, but had modestly fallen on a non-risk-weighted basis given the increase in the size of the Society. All 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

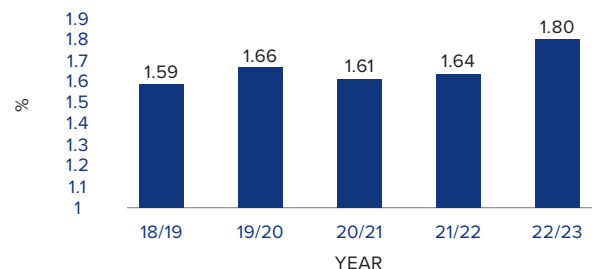


Management Expenses

As identified in the introduction, expenses in monetary terms and as a percentage of assets have increased both because of continued investment in people and systems but also reflects inflationary pressure. 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 cost of living is causing a significant financial impact to many, particularly borrowers. We continue to offer constructive assistance and forbearance to those affected and will continue to do so further into the future. Arrears have moved up, as expected, during the year reflecting the impact of higher interest rates, but remains within risk tolerance, and an effective and supportive collections process delivered by compassionate colleagues provides support to those in need.

The number of customers with the Society remained broadly static during the last calendar year, which was pleasing given that for several months the Society had to suspend new savings account opening to control funds inflow. Furthermore, 94% 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. We continue to support many local organisations including support for alleviating homelessness.

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 workforce and culture, where everyone can be heard and listened to.

In terms of awards, we have recently won for the third successive year the "Personal Finance Awards" "Best Self-Build Mortgage Lender" run by "The Money Pages" and was voted for by consumers.

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.

After over 40 years of exemplary service, we said a fond farewell to Sally Hunt earlier this calendar year. On a personal level, I would like to take this opportunity to thank Sally for her loyalty, commitment and tireless work over the decades allied to her calm and professional manner. Sally's involvement culminated in her last role as the Society's Risk & Compliance Manager, and I know I say, on behalf of the Board, that we all wish Sally a very long, happy and relaxing retirement.

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 continue to 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, with further but limited 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 whilst retaining our enviable financial stability. The cost base, driven by technology changes and continued development and reward of colleagues, will remain a key focus. Intense mortgage and savings competition has been factored into our decision making and forecasting.

The Society remains committed to a transformative digitisation strategy and last year we entered into revised contractual arrangements with our key technology partner to assist with deployment. As mentioned in the Chair's Statement, we are well on our way to full cloud migration to build operational resilience. This development will continue to be carefully managed 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. There is a planned review of IT strategy and functionality, which will include how mortgage origination via intermediaries is undertaken and developing online onboarding of new savings members coupled with electronic withdrawal facilities. 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 and when they communicate with us.

The Society continues to develop its climate change strategy and already permits borrowing to facilitate improvements to property to increase energy efficiency and reduce carbon footprint. It is likely that how

the Society is managing its direct and indirect impact on climate will be reported in future versions of the Annual Report and Accounts.

As I conclude, it is worth reflecting that the Society has, so far, successfully navigated its way through the many uncertain and volatile times in its long history and will continue to do so. We remain here to serve you to the best of our abilities and thank you for being a member. It is a privilege to be the Society's Chief Executive and I look forward to seeing you at the Annual General Meeting in July.

P TILLEY
Chief Executive

22nd May 2023

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 (2022: nil) and listed below are organisations that the Society has helped during the year to 31st March 2023. In total the Society made contributions of support amounting to £3,600 (2022: £4,400), including charitable donations of £2,600 (2022: £3,450).

Action Deafness; Action Homeless; Alex's Wish; The Bodie Hodges Foundation;
Children's Cancer and Leukaemia Group; Heart Link; Hope Against Cancer;
Leicestershire Charity Link; Menphys; Redgate Farm Animal Sanctuary.

In addition, the Society and staff supported the Samaritans, 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. As mentioned in the Chair's Statement earlier, a new Consumer Duty regulation is being deployed this year to continue to build upon the service and protection of retail customers.

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:

	2023	2022	2021
Gross capital	£13.48m	£12.96m	£12.29m
Operating profit before impairment and provisions	£732,844	£770,703	£457,667
Profit for the year after taxation	£526,700	£672,625	£339,686
Total assets	£162.68m	£149.54m	£147.99m
Mortgage balances	£126.58m	£120.10m	£115.04m
Share balances	£140.76m	£131.76m	£131.06m
Liquidity ratio as a percentage of shares & borrowings	23.55%	20.92%	23.67%
Management expenses as a percentage of average total assets	1.80%	1.64%	1.61%

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. This is referred to as general reserves on the Balance Sheet.

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.

	2023	2022
Gross capital total	£13.48m	£12.96m
Gross capital as a % of total asset	8.29%	8.67%
Operating profit before impairment and provisions total	£732,844	£770,703
Operating profit before impairment and provision as a % of average total assets	0.47%	0.52%
Profit for the financial year	£526,700	£672,625
Free capital (note a) total	£13.29m	£12.70m
Free capital (note a) as a % of shares and borrowings	8.93%	9.33%
Core tier 1 capital as a % of shares and borrowings	9.05%	9.51%
Risk-weighted core tier 1 ratio	24.71%	25.43%
Leverage ratio (note b)	8.20%	8.57%

Note a: Free capital is total reserves plus collective impairment provisions less tangible and intangible fixed assets.

Note b: 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, see the Society's Pillar 3 Disclosure Document for more details. 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 2.27% (2022: 2.16%).

Total Assets

Total assets increased to £162.68m (2022: £149.54m), an increase of 8.79% (2022: 1.05%).

Liquid assets, as at 31st March 2023 were £35.04m (2022: £28.49m) which is 23.55% (2022: 20.92%) of shares and borrowings. These liquid assets, which are not lent to mortgage borrowers, have increased 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, see the Society's Pillar 3 Disclosure Document for more details.

Mortgage Lending

During the year £29.67m (2022: £27.49m) was advanced to borrowers to buy, refinance or improve their properties. Total mortgage balances at the end of the year amounted to £126.58m (2022: £120.10m). Mortgage balances increased in the year by £6.48m (2022: £5.06m), an increase of 5.40% (2022: 4.41%).

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 two (2022: three) mortgage accounts with forbearance measures at the end of the year. Provisions

for impairment were £398,017 at the year-end (2022: £322,100). At 31st March 2023 there were zero (2022: one) mortgage accounts which were 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 (2022: 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 borrowings

Total shares and borrowings, which includes amounts owed to credit institutions, increased by £12.65m (2022: increased by £0.76m) and amounted to £148.84m (2022: £136.18m), an increase of 9.30% (2022: increase of 0.56%). The retail savings market continues to account for substantially all of the Society's funding, although at 31st March 2023 the Society also held £0.51m of short-term wholesale borrowing from other financial institutions (2022: £0.50m).

VOTING

We are going to donate 50p 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 £282.70 to Heart Link, and £217.30 to Action Homeless. Once again two charities are on the Representative Form, and you decide which of the two receives 50p for your valid AGM vote. The choices are:-

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

SAMARITANS – Charity Registration No. 219432 (www.samaritans.org)

Leicester Samaritans was founded in 1964 and has provided confidential, emotional support to those in need of a safe space to talk over problems for the last 70 years. Every 10 seconds, Samaritans responds to a call for help and volunteers are available around the clock to support those who need it, working tirelessly to reach more people and make suicide prevention a priority. As well as assisting individuals, Samaritans is using their research to influence policy and practice across the UK and the Republic of Ireland.

Please consider giving your vote to SAMARITANS

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.

Laura J Mackie and Paul Tilley retire by rotation and, being eligible, offer themselves for re-election. In the Notice of Annual General Meeting you will find brief biographical notes on the Directors standing for re-election.

At 31st March 2023 no Director had any interest in shares of any associated body of the Society.

On behalf of the Board of Directors
A C ROBINSON Board Chair

22nd May 2023

SUMMARY STATEMENT

	2023 £	2022 £
SOCIETY'S RESULTS FOR THE YEAR		
Net interest receivable	3,548,746	3,213,455
Other income and charges	(369)	1,215
Administrative expenses	(2,815,533)	(2,443,967)
Operating profit before provisions	732,844	770,703
Provisions for impairment of loans and advances	(75,917)	73,054
Profit for the year before taxation	656,927	843,757
Taxation	(130,227)	(171,132)
Profit for the year	526,700	672,625
FINANCIAL POSITION AT END OF YEAR		
Assets		
Liquid assets	35,044,556	28,491,025
Mortgages	126,583,393	120,103,693
Fixed and other assets	1,048,940	940,795
Total Assets	162,676,889	149,535,513
Liabilities		
Shares	140,760,939	131,762,961
Borrowings	8,077,154	4,420,850
Other liabilities	354,225	393,831
Reserves	13,484,571	12,957,871
Total Liabilities	162,676,889	149,535,513

SUMMARY OF KEY FINANCIAL RATIOS

	2023 %	2022 %
Gross capital as a percentage of shares and borrowings	9.06	9.51
Liquid assets as a percentage of shares and borrowings	23.55	20.92

As a percentage of mean total assets:

	2023	2022
Profit after taxation	0.34	0.46
Management expenses	1.80	1.64

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 Earl Shilton Building Society for the year ended 31 March 2023 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 2023 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 2023, 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 2023.

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, 22nd May 2023

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 of 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 1.00% of basic salary was paid (2022: 3.00%). In addition two non-reoccurring, non-contractual payments to each member of staff totalling £850 were agreed, to assist staff with financial pressures resulting from very high levels of inflation. 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, life assurance 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 on request from the Society's Secretary and on the Society's website at 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

22nd May 2023

DIRECTORS OF THE SOCIETY REMUNERATION DETAILS ARE SET OUT BELOW:

2023

	Fees	Salary	Benefits	Pension scheme contributions	Total
	£	£	£	£	£
Non-Executive Directors					
A C Robinson (Board Chair from 13th July 2022)	25,663	-	-	-	25,663
I M Dale	20,139	-	-	-	20,139
C R Greenwell	19,506	-	-	-	19,506
D J Hickman	23,906	-	-	-	23,906
L J Mackie	20,139	-	-	-	20,139
M J Rice (Board Chair to 13th July 2022)	9,436	-	-	-	9,436
J Stables	23,906	-	-	-	23,906
Executive Directors					
P Tilley (Chief Executive & Secretary)*	-	119,704	17,598	11,700	149,002
S T Wigfull (Finance Director)	-	79,280	11,344	7,881	98,505
Total 2023	142,695	198,984	28,942	19,581	390,202

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

*P Tilley sold part of both his 2022/23 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 2023 to 1.00% of base salary plus £850 (2022: 3.00%). 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 Laura J Mackie and Paul Tilley who are standing for re-election this year, 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.

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.

Prior to appointing a Director, and each year during their tenure, the Board assesses the capacity for each Director to undertake the role with the Society having due regard to time and external commitments. It is envisaged that an Executive Director would not hold more than one other significant appointment outside of the Society. Board approval is required prior to any Director taking on additional appointments after they become a Director of the Society.

Directors have access to the Society's Secretary who advises on governance matters. The appointment and removal of the Secretary is a matter for the whole Board.

A C ROBINSON
Board Chair

22nd May 2023

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 2023 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
Email address:	enquire@esbs.co.uk

DIRECTORS

Alexander (Alex) C ROBINSON MBA BEng, Board Chair (Appointed 13th July 2022)

Martin J RICE LLB LLM (Distinction), Board Chair (Retired 13th July 2022)

Ian M DALE ACA, Senior Independent Director

Christopher R GREENWELL LLB

Darren J HICKMAN FCCA ACIB

Laura J MACKIE BA BSC ACIB

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 166th Annual General Meeting of the members of Earl Shilton Building Society will be held on Wednesday 19th July 2023 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 2023.
- 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 LAURA JAYNE MACKIE
 - (b) To re-elect PAUL TILLEY
- 6 To transact any other business permitted by the Rules of the Society.

By Order of the Board

PAUL TILLEY
Chief Executive and Secretary

22nd May 2023

BIOGRAPHICAL NOTES OF THE DIRECTORS STANDING FOR ELECTION – AGM 2023

Laura Jayne Mackie – To Be Re-elected

Laura Mackie joined esbs as a Non-Executive Director in November 2017. Laura is now Chair of the Remuneration Committee, and a member of the Society's Assets and Liabilities Committee, and the Audit Committee. As a Chartered Banker, Laura spent her early career with HSBC bank. She is proud to have joined an organisation that has put its customers first for over 160 years and is eager to safeguard and promote the benefits of mutual membership for future generations.

Paul Tilley – To Be Re-elected

Following an extensive career in building societies, Paul Tilley was appointed as Chief Executive of esbs in 2011. In his time at the Society Paul has led the business to meet strategic and operational objectives while remaining fully committed to personal customer service. Paul is also the Society's Secretary and Chair of the Assets and Liabilities Committee.

2023 Annual Results



Savers balances increased
by over 9%



**Total Assets
of over
£160m**



94%
of new members said
they would recommend
esbs to others



Total mortgage
balances up over
to an all-time high of
5%
£126m

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