



## **MINUTES OF ANNUAL GENERAL MEETING**

### **Annual General Meeting of Leek United Building Society**

**Duly convened at 12 noon on Wednesday, 29 April 2020 via video conference.**

#### **Board Members:**

Rachel Court	Chair
Richard Goddard	Senior Independent Director
Keith Abercromby	Non-Executive Director
John Leveson	Non-Executive Director
Jane Kimberlin	Non-Executive Director
Andrew Healy	Chief Executive
Robert Broadbent	Finance Director
John Kelly	Operations Director

#### **Attendance:**

Members of the Society – 25 (17 Staff Members, 8 Board Members)  
Claire McCarthy, Head of Compliance & Secretariat (Secretary)  
Lee Whittaker, Howsons Electoral Services (Independent Scrutineers)  
James Boulton, Freeths Solicitors (Independent Legal Advisers)

**Agenda item****Agenda item 1: Opening of the Meeting**

The Chair stated that the meeting had been duly convened and that a quorum was present. She noted the extraordinary circumstances whereby due to Government covid-19 restrictions, this year's meeting was being held remotely and advised that this was the safest way for the Society to comply with its rules while meeting its statutory obligations.

The Chair also welcomed to the meeting Lee Whittaker from Howsons Electoral Services and James Boulton from Freeths Solicitors to provide additional oversight and governance.

**Agenda item 2: Notice of Meeting**

With the permission of the members, the Notice of Meeting was taken as read.

**Agenda item 3: Registration of Votes**

The Chair advised that due to its remote nature, voting would not be available during the meeting but that member voting had taken place by post, in branch or online. She stated that it had been the case over previous years that the vast majority of voting had taken place in advance of the AGM via these channels.

**Agenda item 4: Minutes of the Annual General Meeting held on 24 April 2019**

The Chair stated that the minutes of the Annual General Meeting held on 24 April 2019 were approved at the Society's Board Meeting held on 25 June 2019.

**Agenda item 5: Chair's Address**

The Chair addressed the meeting and advised that 2019 was a very positive year for the Society with solid financial performance and a strong capital outturn. She added that this was particularly pleasing given the backdrop of considerable political and economic uncertainty and the fact that the Society had commenced a programme of investment in its technology, processes and branch network.

The Chair stated that the EU withdrawal process had weighed heavily on the economy over the past year and that confidence in the housing market suffered, the latter manifesting itself in a broadly flat level of year on year housing transactions as well as low house price growth. Competition in the Society's core markets remained intense over the course of 2019, particularly in the low LTV residential mortgage market.

The Chair stated that during 2019, the Society had conducted a detailed strategic review of the steps needed to ensure its long term sustainability in the face of increasing competition and growing customer expectations. It was identified that both current and future customers expect easy-to-use online technology as well as the availability of a friendly and modern branch network which offers not only transactional services but also face-to-face advice on the products and services they need. The Chair added that in order to meet these expectations, the Society's Board had concluded that a significant investment programme is required. This programme, which is now under way, will provide positive enhancements to customer service standards as well as increased levels of operational resilience

In terms of the Board, the Chair commented on the positive impact made by Andrew Healy during his first year as Chief Executive of the Society. She added that Andrew had conducted a comprehensive review of the Society's strategy, people and culture, kick-starting the development of a future vision for which builds on the best of its heritage and customer-focussed culture, whilst investing in the capabilities necessary to ensure future success and sustainability.

In the first half of 2019, the Society had welcomed Rob Broadbent to the Board as Finance Director. While in March of this year, non-executive director, Colin Kersley, had decided to step down from the Board to spend more time with his family. The Chair thanked Colin for his immense contribution over the course of his three years on the Board.

The Chair commented on the challenges presented by the current covid-19 situation. She stated that she was immensely proud of the manner in which the Society had handled matters to date, with

wonderful empathy, kindness and understanding being shown towards both staff and members. The Chair extended the Society's sympathies towards members who had lost loved ones or who had relatives or friends who were currently ill. She assured that the Society would continue to operate with diligence and integrity to provide every possible support to members going forward.

The Chair finished by thanking members for their continued loyalty. She stated that notwithstanding the current extraordinary difficulties facing the country and the associated economic challenges, she remained extremely confident that the Society would retain its robust financial position and that members could look forward to a positive future.

#### **Agenda item 6: Chief Executive's Address**

Chief Executive, Andrew Healy addressed the meeting and advised it was pleasing to report a year of significant progress for the Society. He added that in challenging market conditions, the Society continued to offer competitive products and excellent service to members, leading to solid mortgage and savings growth as well as high levels of customer satisfaction. Andrew added that very importantly, the Society finished the year in a strong capital position which gives confidence for the future as well as the necessary financial platform for the extensive investment programme which the Chair had referenced.

Andrew highlighted that despite the flat level of mortgage activity across the market, the Society achieved satisfactory levels of mortgage business with new advances of £165m, £7m higher than the prior year. He added it was positive to advise that the performance of the Society's mortgage portfolio remained particularly strong, with low levels of arrears being underpinned by high quality underwriting and robust lending policies. Andrew advised that the Society continued to be very strongly funded by its members through a broad range of savings products. Notwithstanding the prevailing low interest rate environment, member balances grew by £21m during 2019, boosted by a number of new product offerings, including a new regular savings account and five year fixed rate bond. Costs had been particularly well controlled, increasing by just 2.3% and that when investment programme costs were stripped out, underlying costs had actually reduced by 1.1%.

Andrew advised the Society's focus on efficiency and cost containment would continue but would be carefully balanced with the need to invest in its infrastructure and future sustainability. He advised that the Society had taken steps to reduce its carbon footprint and had commenced a structured programme of work to positively address the risks presented by climate change.

Andrew stated that the Society conducts regular surveys of its members to identify how satisfied they are with its products and services. He advised he was delighted that 95% of customers in 2019 stated they were satisfied with their overall experience of the Society.

Andrew reinforced the Chair's comments regarding the current covid-19 situation. He extended his and the Society's best wishes to those with ill friends or relatives, adding that he could not be more proud of the remarkable commitment, compassion and integrity shown by the Society's staff in incredibly challenging circumstances. Andrew stated that when the Society's strong financial platform is viewed alongside its bedrock of wonderful staff, members could look forward to the years ahead with great confidence.

#### **Agenda item 7: Members Questions**

The Board proceeded to address the questions submitted by members ahead of the meeting.

***Question: A question was asked in respect of the report of the Board Nominations Committee which advised of the Society's commitment to build a diverse and inclusive workforce and to promote equal opportunities. With 20% of the executive team being female, the member asked if more information could be provided on how the Society was performing and encouraging other types of diversity and inclusion, including broader ethnicity.***

Response: The Chair thanked the member for this important question and advised that she was pleased to advise on the positive steps being taken to increase diversity and inclusion at Board level, at executive level and across the workforce. She emphasised that the Board has a very strong commitment to being an equal opportunity employer and to promoting a diverse organisation.

The Chair added that the Society had recently resolved to sign up to the Women in Finance Charter, which reflects the Government's aspiration to see gender balance at all levels across financial services firms, something which the Board absolutely agree with. As part of this charter, the Board has designated a member of the executive team to be responsible and accountable for gender diversity and has established targets for gender diversity which aspire to achieve at least 33% male and 33% female representation at Board level as well as a rolling average of at least 38% male and 38% female representation across senior managers, including the executive team.

The Chair added that whilst the aforementioned Charter is specific to gender balance, the Society has in place diversity and inclusion policies for both the Board and the wider Society which incorporate commitments to increase ethnicity and the number of employees with disabilities. She said the Board would continue to take positive action wherever possible to ensure the workforce is diverse and representative of the communities in which the Society works.

***Question: A member enquired about the current percentage of the Society's buy to let lending relative to residential lending. It was asked if the Board had noticed a change as the tax changes for landlords had been phased in and if the Board foresaw any future in offering private buy to let mortgages. The member added that the Residential Landlords Association had been lobbying the Government for a relaxation of this year's tax change for landlords and if the Board had any update on this.***

Response: Chief Executive, Andrew Healy advised that Buy to Let lending represented 30% of the Society's overall mortgage book. He added that whilst recognising the changes phased in over recent years, which included the tax changes for landlords, may have resulted in the Buy to Let sector becoming less attractive to some landlords, these changes had not manifested themselves in a reduction in new business applications received by the Society. He added that the Society intended to continue to provide appropriate private Buy to Let mortgages.

Andrew stated that the Society was aware the Residential Landlords Association had been lobbying the Government for a relaxation of this year's tax change for landlords but was not aware of any plan on the Government's part to alter its proposals.

***Question: A member expressed the view that in light of the Covid-19 situation, the AGM should have been postponed until a later date to allow members to attend in safety. The member also queried the Society's decision not to provide 2020 branded diaries for members and expressed concerns regarding the intrusive nature of questions asked when opening a new savings account for his granddaughter.***

Response: With regard to the AGM, the Chair emphasised that the decision wasn't taken lightly and that the Board of Directors would have welcomed the opportunity to meet with members. However, the Society's rules and its legal obligations required the AGM to be held within four months of its accounting year end. Given the Government's current covid-19 restrictions, the holding of a face-to-face meeting could not be considered. The Chair added that the Board had taken legal advice in this regard and that an added factor was that even if the decision had been taken to defer the meeting, it was far from certain that it would be possible to hold it at all, with members present, before the end of the year. Every effort had been made to engage with members prior to the meeting and members had been invited to submit questions. In terms of voting on the various resolutions, the Chair added that those attending the AGM normally represented a relatively small percentage of total votes received and that again this year, many members had taken the opportunity to vote by post or online. She stated that the Society had a very good track record of direct engagement with members and was committed to such engagement more than ever.

Andrew Healy advised that the decision taken not to provide diaries in 2020 was based mostly on cost grounds. He stated that over recent years, demand for such diaries had diminished while production costs had increased. The Society appreciated that some members were disappointed by the decision but that equally, a number of members had commented at last year's AGM regarding the importance of controlling costs. Ultimately it had been decided that the production and distribution costs associated with providing diaries was not an efficient use of Society funds.

Addressing the savings account question, Andrew stated he was sorry to hear that the member felt some of the questions asked were intrusive and of questionable relevance. He added he was pleased to advise that the Society's account opening procedures are currently under review and he assured the

member that his feedback would be taken fully into account. Andrew thanked the member for his feedback on the three areas he had raised, of which the Board was extremely appreciative.

**Question: A member asked what are the key risks facing the Society and what impact will the covid-19 situation have?**

Response: Finance Director, Rob Broadbent commented that as for all societies, one of the most significant challenges is ensuring the Society remains relevant to its membership by offering fairly priced products that fully meet their requirements and by investing in technology which meets their expectations. In addition, credit risk will always be a top risk, not least given rising unemployment and the impact of a weakening economy on the housing market and consumer confidence. Rob continued that the Society has robust lending policies and processes which have served it well over time and which it is believed will continue to serve the Society well into the future. He advised that while the duration and impacts of the Covid-19 situation are highly uncertain, he was confident the Society was well placed to deal with it bolstered by its strong capital position, excellent staff and strong governance.

**Question: A member asked what are the Society's plans for introducing online services?**

Response: John Kelly, Operations Director referred to the Chair's address and advised that the Society's strategy involves the development and implementation of online capability for both savings and mortgage customers. He added that the first steps towards this were taken in 2019, with improvements to IT infrastructure and that a significant investment programme would continue over the coming years which would deliver positive benefits for both existing and new members.

**Question: A member asked if the Board considers "the prospect of another decade of the BoE base rate being set at less than 1%" an advantage or a threat to the Society?**

Response: Finance Director, Rob Broadbent commented that a low interest rate environment tends to benefit borrowers to a more significant extent than savers and Leek United has always sought to be competitive and fair to all members. It is more challenging for all building societies and banks to generate appropriate levels of profitability in a low base rate environment as they earn lower levels of interest on their surplus liquidity – and Leek United is no different. However, the Society has operated in an environment of sub 1% base rates for a number of years and adapted its business to address the challenges that this brings. Rob added that the Society's future plans anticipate the continuation of a low interest rate environment and he expressed confidence that the Society will remain financially strong in such circumstances.

**Question: A member asked if the Society had managed to contain costs over the course of the past year.**

Response: Andrew Healy advised that strong cost discipline was evident in the Society's financial accounts for 2019. He added it was pleasing that despite a range of technology, service, people and risk management investments during the year, total costs had increased by just 2.3%. He continued that when initial costs associated with the investment programme were stripped out, underlying business costs had actually reduced by 1.1%. Andrew stated that this focus on efficiency and cost containment would continue but would be carefully balanced with the need to invest in the Society's infrastructure and future sustainability.

### **Agenda item 8: Resolutions**

The resolutions were announced as follows:

Ordinary Resolutions:

1. To receive the 2019 Report & Accounts.
2. To appoint KPMG as External Auditor.
3. To approve the Directors' Remuneration Report.

## Election of Directors

4.
  - a) To elect Robert Broadbent
  - b) To re-elect Keith Abercromby
  - c) To re-elect Rachel Court
  - d) To re-elect Richard Goddard
  - e) To re-elect Andrew Healy
  - f) To re-elect John Kelly
  - g) To re-elect Jane Kimberlin
  - h) To re-elect John Leveson

The Chair stated that she would now announce the results of the resolutions.

### **Resolution 1: To receive the 2019 Report & Accounts**

That the Annual Report and Accounts for the year ended 31 December 2019, be adopted.

The results of the poll were announced as follows:

<b>For</b>	<b>Against</b>
5,301	55
(98.97%)	(1.03%)

### **Resolution 2: To appoint KPMG as External Auditor**

That KPMG be appointed until the conclusion of the next Annual General Meeting (in accordance with Section 77 of the Building Societies Act 1986).

The results of the poll were announced as follows:

<b>For</b>	<b>Against</b>
5,190	149
(97.21%)	(2.79%)

### **Resolution 3: To approve the Directors' Remuneration Report**

That the Directors' Remuneration Report be approved.

The results of the poll were announced as follows:

<b>For</b>	<b>Against</b>
5,018	295
(94.45%)	(5.55%)

### **Resolution 4: Election/Re-election of Directors**

The results of the poll were announced as follows:

	<b>For</b>	<b>Against</b>
To elect Robert Broadbent	5,206 (97.84%)	115 (2.16%)
To re-elect Keith Abercromby	5,186 (97.21%)	149 (2.79%)
To re-elect Rachel Court	5,212 (97.60%)	128 (2.40%)
To re-elect Richard Goddard	5,178 (97.13%)	153 (2.87%)
To re-elect Andrew Healy	5,181 (97.17%)	151 (2.83%)
To re-elect John Kelly	5,202 (97.78%)	118 (2.22%)
To re-elect Jane Kimberlin	5,197 (97.67%)	124 (2.33%)
To re-elect John Leveson	5,218 (97.79%)	118 (2.21%)

**Agenda item 9: Any Other Business**

Before concluding the meeting, the Chair again referred to the extraordinary current circumstances which necessitated the holding of the AGM on a remote basis. She assured that the Society would continue to employ a broad range of methods to engage directly with members and to seek their feedback.

The Chair added that she dearly hoped the country would return over time to more normal conditions and that she looked forward to meeting members at next year's AGM. The Chair advised that on behalf of the Board, management and staff of Leek United, she wished to sincerely thank members for their continued loyalty and to extend the most fervent hope that everyone would stay safe and healthy.

There being no other business, the Chair declared the meeting closed.



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**Rachel Court**

**Chair**

**29 April 2020**