

SCOTWEST CREDIT UNION LTD

MINUTES OF THE 26th ANNUAL GENERAL MEETING

**Held at Marriott Hotel, Agyle Street, Glasgow
28 November 2015 at 6.30 pm.**

CHAIRPERSON'S OPENING REMARKS

The Chairperson, David McRiner, opened the meeting by welcoming everyone to the AGM of Scotwest Credit Union.

1. ASCERTAINMENT OF QUORUM

Margaret Smith	James Gibson	Linda Hyslop
Kenneth MacLeod	Caroline McMichael	William Hyslop
Alan G Ramsay	Frances McCann	Gordon Gray
Stephen Wood	John Magill	George Steele
Eilidh Mannion	Jacqui McGlinchey	John McDonald
David McRiner	Eleanor Shannon	Lorelle Welsh
Paul McGowan	Carol McDowall	Ashley McCrone
Catherine Jamieson	Daniel Salah	Margaret Scott
Jackie Alexander	Jamie McGlinchey	Louise Scott
Ian P Turner	Michael Davidson	Alexander MacLeod
Alex Ibe	George Laird	Gerry McDonnell
Eleanor Gibson	Charles Sim	

In attendance: Mark McRae from Scott-Moncrieff, Chartered Accountants

Apologies were received from Deirdre Forsyth, Evelyn Kearney, Danny Dickson, Scott Frame, Gary Keaney and John McDermott

The Chairperson announced that as the quorum of 15 had been met, the Meeting could continue.

2. MINUTE OF PREVIOUS ANNUAL GENERAL MEETING

The minute of the previous Annual General Meeting was included in the papers distributed to members prior to the Meeting and had been available on the website for two weeks prior to the AGM. There were no matters arising from the minute, and it was proposed by Stephen Wood, seconded by Charles Sim and approved by the meeting.

3. CHAIRPERSON'S REPORT

The Chairperson's Report was included in the AGM pack available on the website and at the meeting.

The Chairperson noted that it had been a challenging year not just for Scotwest but for the whole financial sector. There had been major regulatory changes implemented and as a result of the requirements of the Senior Management Regime, training and workload had increased for the Directors.

He asked the meeting to note that the years' highlights included:

- Highest ever Loan Book, currently £29m out on loan
- 20% mobile app download and usage
- Glasgow University has come on board as a select employer with approximately 7,500 employees.

As detailed in the report previously issued, credit unions in the UK are dual regulated by the Financial Conduct Authority and the Prudential Regulation Authority (PRA). In February 2016, the PRA introduced a new prudential source book (the Credit Union Rule Book) and this requires each credit union's governing body report to the members at the Annual General Meeting in respect of compliance as follows:

Depositor Protection

Scotwest is part of, and its members are protected by, the Financial Services Compensation Scheme. Membership of the scheme requires us to comply with various regulatory requirements in respect of the deposits we hold. In accordance with the Credit Union Rule Book Part 10.1 we confirm that we are compliant with the requirements of Depositor Protection 11 and 49 to 51.

Policy of Insurance

The Credit Union Rule Book Part 2.10 requires us to maintain insurance to protect us against loss suffered or liability incurred by reason of the fraud or other dishonesty of any of its officers or employees. In accordance with the Credit Union Rule Book Part 10.1, we can confirm that we have complied with those requirements.

Additional Activities

The Credit Union Rule Book Part 4 allows a credit union to carry out "additional activities" and provides additional compliance requirements thereon. In accordance with the Credit Union Rule Book Part 10.1, we can confirm that we have carried out the additional activities of "additional investments", "additional lending" and "mortgages" and that we are compliant with the additional requirements thereon.

The Chairperson thanked the Directors who had stepped down during the year and in particular Alan Ramsay, who had completed his two terms of three years as prescribed in the Rule Book. Alan had never missed a Board meeting in that time and his diligence and commitment to Scotwest was greatly appreciated.

Finally, the Chairperson thanked the members for their support throughout past year.

4. CHIEF EXECUTIVE'S REPORT

The Chief Executive's Report had been tabled prior to the meeting on the website and copies were available at the meeting in the AGM pack.

The CEO spoke to the paper and asked the meeting to note that savings continued to grow and had increased by 7% over the year, making us one of the top three or four credit unions in the UK in terms of deposits at over £56m. However, increased savings means that the regulator requires us to have higher capital reserves and we have to distribute the surplus available for dividends across a wider pool of savings.

Some credit unions have introduced a cap on savings to compensate for this however, as it is clear that our members want to continue to save, we have to find ways to utilise those savings to generate the maximum return for members.

This is our main business goal over the next three years and we need the help of members, who are equal owners of the business. A successful credit union needs a vibrant and active set of members who both borrow and save.

There are three ways to achieve this:

- engage online, mobile app, social media, website etc
- If you are looking for a loan, borrow from Scotwest
- Spread the word about Scotwest to family and friends.

Social Responsibility

Scotwest continues to work in its community in many different ways:

- Education – we now have 34 school branches across our Common Bond area and provide all our member access to Open University personal finance courses.
- Community partnership - ranging from sponsorship disability sports awards through to endorsing the Scottish Government business pledge and being an accredited Living Wage employer
- Financial support for local groups with our Making a Difference awards.

Scotwest celebrated its 25th anniversary in February 2016 and as part of the celebrations, introduced our 25th Anniversary Community awards, a scheme to allow members to nominate individuals and groups within their community who deserved the recognition. The winners have been announced and we are in the process of arranging for the awards to be made.

I would like to thank the 25th Anniversary Committee for their input, not least Charles Sim who retired as a Board members after 24 years service at the last AGM.

From relatively humble beginnings, we have grown to be one of the biggest credit unions in Britain with 29,000 members and £65m of assets, but perhaps more importantly we have our credit union ethos, a testament to which is that around 1,000 members who joined Scotwest in 1991 are still active members today!

Finally, I would like to note the sudden passing of our Financial Services Manager Jim McNair in August. Jim had worked with Scotwest since the early 2000's and was an avid champion of credit unions in general and Scotwest in particular. More importantly, he was a much loved and respected colleague and he will be sadly missed by all who knew him.

5. ELECTION OF DIRECTORS

The voting procedure was explained and the members were asked to note that three of the nominees were unable to attend the meeting. The Chairperson asked the members present to vote on whether they should be allowed to stand.

The meeting showed by a majority that all three should be allowed to remain as part of the election.

The CEO and Marketing Manager collected the papers and Mark McRae, from Scott Moncrieff, carried out the count.

6. QUESTIONS FROM THE MEETING ON CHAIRPERSON'S AND CEO'S REPORT

There were no questions.

7. FINANCIAL STATEMENTS

The Chief Executive's Report had been tabled prior to the meeting on the website and copies were available at the meeting in the AGM pack.

The CEO asked the meeting to note the following:

- The loan book grew by 13% during the year and this has led to an increase in income of £170k in the year
- Due to prudential regulatory changes which took effect from February this year, we have released £488,000 of our previous bad debt provision
- Excluding that adjustment, operational expenditure is up 12% (£184k) the majority of which is due to the increased costs of the closed Strathclyde Pension Fund (£136k). Our last employee in the scheme retired in October 2016, therefore the final costs for the scheme will be incurred in the forthcoming financial year, provision for which has been made in this year's accounts
- Overall the annual operating surplus of £620,000 is £946,000 better than the prior year's £272k deficit (after the building impairment)

- Excluding the release of £488k from the bad debt provision and last year's property revaluation impairment, the underlying annual operating surplus is £132,000 compared to £102,000 in the prior year.
- The regulatory changes which have resulted in the bad debt provision release also changed our capital adequacy requirements and therefore the Directors have determined that we require to utilise the "gain" from the release of the bad debt provision to increase our retained reserves in order to underpin our capital adequacy ratio
- The strategic plan for 2016 through to 2019 has the primary, over-riding objective of increasing Scotwest's retained reserves by £660,000 with a view to raising our regulatory capital provision by 0.45% from 11.2% at 1st October 2016 to 11.65% by 30 September 2019
- During 2016, deposits rose by £3.8m during the year and as approximately 70% of our members savings are made through payroll deduction, we are likely to see similar increases in the current year and therefore we need to increase the loan book in order to avoid the potential to impose a cap on savings if we are going to meet our capital targets.

Therefore our key financial objective for 2016/17 remains to increase the value of loans issued and improve the ratio of loans issued to deposits held.

8. AUDITORS' REPORT

Mark McRae confirmed a clean audit report on the Financial Statements. Performance had been in good in a low interest rate environment. He explained the changes requires to the accounts as a result of the introduction of FRS102 and that the changes were not just applicable to credit unions but to all companies. Some of the figures are hard to compare to last year as a result of changes in the way they now have to be calculated. This is especially applicable to bad debts as there are new rules about treatment for writing off debts.

On Page 5 of the report, the auditors have to report on the internal systems and controls to ensure they are in line with regulations. There were no issues identified or recommendations for procedural changes.

9. QUESTIONS ON THE ACCOUNTS

No questions were raised on the Financial Statements or Auditors' Report.

The Chairperson asked for a show of hands to ratify the Board's decision re the transfer of the surplus to reserves. This was agreed.

10. APPOINTMENT OF AUDITORS

The Chairperson noted that the board had determined to reappoint Scott-Moncrieff as external auditors for 2016-2017. The Chairperson asked for a show of hands to ratify the Board's decision. This was agreed.

11. ELECTION OF DIRECTORS – RESULT

Mark McRae announced the result of the ballot and confirmed that Caroline McMichael, Cathy Jamieson, Ian Turner and Scott Frame had been elected.

The Chairperson thanked all nominees for standing for election.

12. RULE BOOK – proposed Amendment to Scotwest Rule Book

The proposed Rule Book and list of changes had been issued with the papers for the meeting and had been available on the website prior to the AGM.

The CEO explained the rationale behind the proposed changes.

The change to the Select Employers list was to allow us to include two companies who had approached us and were keen to offer services to their employees. As there is a cap of 2m as the potential Common Bond membership, we have had to remove names from the list in order to accommodate the two new employers and we have selected companies who were either not interested in working with us or had yet to be approached.

The change to the dormancy procedures was clarifying the procedure to reflect what should be happening.

The changes were agreed by the meeting and the revised Rule Book approved.

13. Close of Meeting

The Chairperson thanked all members for attending and made a presentation to Alan Ramsay on behalf of all members, Directors and staff on his retirement from the Board.

The meeting closed at 7.15pm.