

Chair's Annual Report 2016/2017

On behalf of the Board of Directors, I would like to welcome all Scotwest Credit Union members to this our 27th Annual General Meeting.

Operations

Given the current economic climate and the continued growth in credit union savings, the underpinning operational and financial objective remains to ensure that where a member requires a loan, they come to Scotwest first. Not only do we offer competitive loan rates and have products to cover all sizes of loans, but we also work with our members to try to ensure that their financial well-being is at the heart of any lending decision. That's what makes us different and that's why you can be proud to be part of the Scotwest community.

Governance

Scotwest Credit Union is governed on behalf of its members by a voluntary Board of up to nine Directors. Directors serve for a three year term, following which they can offer to stand for a further three year term. After serving two consecutive terms, a Director must stand down for a period of at least one year.

When new Directors are elected at the November AGM, they receive training and support from the Nominations Committee with a view to ensuring that they are deemed competent to take up post on the following 1st February. At last year's AGM, four new Directors were elected (Scott Frame, Cathy Jamieson, Caroline McMichael and Ian Turner) and I am please to say that not only did they all take up post in February 2017 but that they have also made a valuable contribution to Scotwest since being elected.

At last year's AGM we were aware that Danny Dickson was stepping down as a Director on 31st January and during the year Carol McDowall also stood down in March. Both stood down due to pressures of work and we would not only like to thank them for their service but also wish them well with their new challenges.

Following Carol's resignation, the Nominations Committee informed the Board that there was no one within the Director's Training programme at a stage where they would be deemed competent to take up the role and therefore the Board decided to continue with eight Directors in the short term

This year, both Stephen Wood and I have reached the end of our first three year term of office and, as a result, there are potentially three vacancies to be filled at this year's AGM. Whilst Stephen and I are putting ourselves forward for re-election, there is no one within the Director's Training programme at a stage where the Nominations Committee feel it would be appropriate for them to be put forward for election and therefore there are only two candidates being put forward for election. Members do, however, have a

choice and should they determine not to re-elect Stephen, me or either of us, the Nominations Committee will take action to co-opt Directors in order to ensure that the governance of Scotwest continues appropriately.

Scotwest is owned by its members and its governance is strengthened by new Directors coming through therefore we would actively encourage as many of you as possible to consider joining the Director's Training programme (details can be found at <https://www.scotwest.co.uk/about/scotwest-director-training-academy/>).





Recognising that Scotwest Credit Union has members all across the West of Scotland for whom it is not feasible to physically attend the AGM, we will again be hosting an interactive broadcast of the AGM on our website and streaming it live on Facebook. This forms part of our plans to foster and develop on-line interaction with our members to assist Scotwest Credit Union understand and respond to members' needs. Please also take the time to "like" us on our Facebook page and follow us on Twitter.

Business Plan

We have made significant inroads into the 2016/17 to 2018/19 Business Plan, which has the key objective of ensuring that, as our members' savings continue to grow, we build our capital adequacy ratio to a level which provides us with a strategic buffer above the regulatory requirements. In order to achieve that objective, without curtailing members' ability to save, we need to focus on growing our loan book and retaining most of the profits generated from those loans. We review the progress on the Business Plan quarterly and update it annually and are pleased to note that we made significant inroads to it during 2016/17. However, the need to rebalance the ratio of savings to loans remains our key strategy in respect of capital reserve maintenance and therefore during 2016/17 our dividend has remained at 0.25% and we have not distributed the majority of the profits which we have generated

Scotwest's mission is to set the standard for other credit unions to follow, leading the way by providing innovative, responsive and fair financial services. We will serve our members' needs by understanding their individual circumstances, caring about their happiness and financially empowering them through the provision of honest, understandable financial products and guidance.

We will:

-  Assist and encourage members to accumulate savings in order to help them protect themselves from financial setbacks and achieve their financial goals;
-  Provide members with loans at fair and reasonable rates in order to help them achieve their goals;
-  Use and control members savings for their mutual benefit in order to generate a reasonable return on their savings; and
-  Help members in the management of their financial affairs by providing training and education.

Regulatory Compliance

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 can 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 of 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.

Summary

I would like to thank everyone at Scotwest; the members, the staff and the volunteers, for their engagement with Scotwest. Although changing regulation is an ever increasing burden, I believe that Scotwest is strongly positioned both to continue providing excellent financial services to its existing members and to grow its membership and services in the future.

I would also continue to encourage all our members to actively engage with the Scotwest community and to spread the word to family, friends and colleagues.

David McRiner, Chair
November 2017