

Chief Executive Report 2019/2020

Much has changed for all of us since last year with widespread disruption being brought to our lives due to the COVID19 pandemic.

The team here at Scotwest adapted very quickly to homeworking and has continued to support our members throughout. This support has ranged from the provision of payment breaks as the financial impact was felt, through to the provision of savings, loans and mortgages as the demand, slowly but surely, increased.

As it currently stands, we have seen members' savings grow by an extra £10m since lockdown to £77.7m, a level we did not expect to reach until 2023! This is obviously fantastic news for the members who have been able to accumulate extra savings during these unprecedented times.

We also had another record breaking year for the Christmas savings account with around 4000 Members saving over £3m this year.

Lending is where we have experienced the biggest impact with some Members finding themselves in unexpected financial difficulty. I'm happy to say that we have been able to support all of the requests for payment breaks or reduced payments which has helped ease the burden during these difficult times for over 500 of our members.

Demand for loans contracted significantly at the start of lockdown in March and resulted in a notable drop in income. However, the demand for loans and mortgages continues to increase week on week and lending has almost reached pre-pandemic levels.

Turning our thoughts to the year ahead, we have started work on the implementation of an exciting new digital platform which will modernise both our online banking and our mobile App. We are also in the process of partnering with an innovative Fintech to bring the latest in digital payment services to you, look out for further news on these in the coming months.

The Covid-19 virus will continue to affect our Members and our business next year as will Brexit. The team and the Board at Scotwest are committed, as ever, to navigate through these uncertain times and continue to help improve the financial lives of our Members in any way that we can.

2020 Performance

Savings

Our members have continued to save regularly throughout the year, with total savings rising by 17% compared to 6% last year. We attribute this increase to a reduction in spending as a result of COVID19 and the prevailing restrictions, which has seen our withdrawals reduce by around 14% in the year.

Most of our deposits continue to be received directly via our payroll services with the support of our Select Employer Partners, of which we now have 110 throughout the West of Scotland.

Loans

Our lending reduced quite significantly in the early months of lockdown but did recover, increasing month after month as restrictions eased during the summer. As a result, our lending book growth was 8.6% behind our original forecast, however the end of year position shows a small uplift of 2% in lending compared to last year.

The pandemic has impacted many people in different ways and I am proud to say that we are supporting members through the financial difficulties that they face. We have provided payment breaks where needed for both loans and mortgages, and are working closely with those affected to put reasonable payment plans in place in order to help ease pressure on their household income at this difficult time.

With the pandemic still ongoing and Brexit on the horizon, we do expect that it will continue to be a difficult time for many people well into 2021. Please remember that we are here for members and we care about your financial lives. If you need support, just speak to us and we will do what we can to help.

Capital

Scotwest is an authorised UK deposit taker and, as you would expect, must meet very high standards of prudence in order to protect people's savings. One of the regulatory measures in place is the Capital Ratio.

Capital is the equivalent of 'rainy day savings' for a business and in times of stress it helps maintain its resilience. What it means for us in practice, is that for every £100 of deposits, we must 'save' around £8.50 from our surplus (profit). Therefore, in an environment where savings are growing exponentially and income has reduced significantly due to a drop in lending, it can be challenging to maintain the required levels of Capital.

I am happy to say, that Scotwest has navigated its way through 2020, whilst maintaining Capital levels of at least 1% above the regulatory threshold, in line with the current Strategic Business plan. This puts us in a very strong position as we enter 2021 and face the ongoing economic challenges.

People

People are at the very heart of our credit union.

Directors are members who willingly give their free time to their credit union for no other reason than to help people. It is not an easy role, but their passion and dedication is second to none. I would therefore like to say, on behalf of myself, the staff and the members, 'Thank you' for your continued commitment to Scotwest.

The team at Scotwest has been fantastic throughout the year. The agility has been amazing, adapting to changes in working environments and procedures with a speed that could not have been foreseen, the whole time dedicated to helping and supporting our members. I would therefore like to say 'Thank you' to every member of the team as they continue to do a fantastic job.



Last but not least, my thanks goes to each and every member of Scotwest. Without members, we would not have a credit union and would not be able to provide a lifeline to some in our communities. Whether you save or borrow, or do both, please know that you are a big part of what we do and what we achieve. Thank you.

Scotwest – Where People Count.