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Notes from Beverley Building Society online AGM proceedings
Monday, 26 April, 2021, 5.30pm

Chairman, Stuart Purdy, opened the live broadcast with the words:

2020 was a year none of us are likely to forget. But through the crisis of a generation, how did your Society fare?

Join us live, from our Beverley head office, for your Society's one-hundred-and-fifty-third AGM.

He then introduced the event and explained what would be happening, as well as giving his insights into the past year, including a number of changes to the composition of the Society's Board.

Hello and welcome to our one-hundred-and-fifty-third AGM, broadcast to you live from our head office in Beverley.

I'm your Chairman Stuart Purdy and I'll be taking you through the AGM proceedings this evening.

Over 900 of you cast your votes online, and in the post. Those votes will be combined with those of our team who are also members, and are in the building, casting a watchful eye over proceedings and providing us with the quorum required by our Society rules

All of the team working on our stream tonight are socially-distanced, and working under the latest, COVID-secure production guidance.

And the minutes, results and recording from tonight's event will be available on our website, or in printed form if you give us a call.

We're in exceptional times and I think it's fair to say that none of us are likely to forget the last year-and-a-half, any time soon.

So, before I go any further, I'd like to extend our heartfelt good wishes to members affected by the pandemic, either personally or financially, or both.

So, how did your Society fare?

We proved resilient and team members showed incredible dedication to members and the business.

Our priority, overall, was keeping members – and our own team – safe, while doing everything in our power to help you manage the financial and personal impacts of what we've all experienced over the past year.

There were some board changes during the year – Martin Cocker left the Society to take on an executive role elsewhere, and his Audit & Compliance Committee role has been taken up by Mike Heenan, one of our longest-serving and most experienced non-executives.

Esther Morley joined from Secure Trust Bank before the first lockdown in 2020, bringing significant mortgage insight and expertise, and we welcomed Karen Wint, former Operations Director at Leeds Building Society, to our Board team after the end of the financial year.

In addition, Richard Pattinson agreed to extend his tenure as a non-executive director for 12 additional months, in response to market and economic volatility.

So, having fared well through an unimaginably difficult period, we have an impressive mix of skills and experience to ensure the Society remains there to support our members, while managing any further risk that may emerge from the macro-economic environment in which we operate.

Our Chief Executive, Karl Elliott, will now give you his personal take on your Society's performance over the last 12 months, as well as a more detailed insight into our financial performance.

Society CEO Karl then presented his view of the past 12 months

Thanks Stuart.

That we're here in our boardroom tonight, rather than out there with you – our members – says it all about the challenges of the last year.

Each and every one of us, I think, has our own 'COVID story'; a shared set of experiences which, if nothing else, will hopefully bring us all closer once this is all over.

To that end, I'd like to tell you our story as a Society this past year, and give you my personal take on how the lessons learned have helped us, in no small way, to build on and improve what we do.

The economic challenges presented by the pandemic are, of course, well-rehearsed: a record low Bank of England base rate of 0.1% and the prospect of negative interest rates; millions of workers furloughed, UK GDP significantly down and unemployment on the up, all mitigated, for now, by unprecedented levels of government support.

And, while the housing market has remained resilient so far – supported, to some extent, by the Government's Stamp Duty holiday – we are in no way complacent as we look ahead.

But, despite the many challenges, we've remained open for business, operating reduced branch opening hours to minimise contact and keep everyone as safe as possible – utilising a combination of new technology and traditional telephone and postal services for things like mortgage appointments and savings account transactions, instead.

Many of our team, and I, have been working from home for at least half of the time, while others on the front line, in our branch, have been present throughout.

This is the first time in over 12 months that Stuart and I have actually been in the same room!

Throughout all of this, I'm proud to say that we have remained an uninterrupted – albeit different – service for our members.

I’m extremely proud of our colleagues, without whom, none of what we have achieved would have been remotely possible. They have shown resilience, resourcefulness and huge commitment and stamina over three lockdowns to maintain an uninterrupted service for you, our members.

In fact, thanks to them, we’ve adapted very quickly in ways we might never have believed we could, pre-pandemic.

And the evidence of that hard work is shown in our performance.

New mortgages were buoyant towards the end of the year, if a little slower completing, due to the consequences of lockdown, but we entered 2021 with a very healthy pipeline of potential new borrowers.

And 4 in 5 of our existing borrowers opted to stay with us when their mortgage schemes ended.

We continued to focus on under-served mortgage markets such as people approaching and in retirement, first-time buyers and the self-employed, people who might need their lender to put in the time, effort and understanding we do, in order to provide the bespoke solutions they need.

We also successfully supported those members who needed a mortgage payment holiday, and continue to do so today.

We tried our best for our savers, as we know that last year was particularly challenging. We maintained, simple, transparent, good-value rates and delayed rate cuts for as long as possible to give members the greatest benefit we could, with our average interest rate of over 0.6% being much higher than the sector average.

Despite the impacts of the pandemic, our customers continued to rate us 5 out of 5 for the genuinely-personal service our colleagues provide, which is the absolute heartbeat of our business.

Overall, we’ve had a strong financial performance, with profit, total assets, arrears and net interest margin all improving during the year.

Throughout, we continued to contribute to the vibrancy of our local community. All our colleagues remained on contracted hours and our community and supplier commitments were maintained. We also added some which provided for real needs highlighted by COVID-19, including the Royal Voluntary Service and East Yorkshire Food Bank, in a year which saw us give over £7,000 to good causes at the heart of our community.

When I reflect on the year gone by and the many achievements we have had, I see that we are business powered by people, our own colleagues’ service and fortitude, our members’ loyal support and our community’s desire to come together and help those vulnerable or in need.

In light of this, I would like to thank all our colleagues, and our members, for your continued support, and those doing real work in our community for your efforts. And I hope thatwecan all look forward with cautious optimism that the UK and the wider world will continue to battle back towards some kind of normality and the simple pleasures in life that, in usual times, we take for granted.

Thank you

Stuart?

Stuart then asked Karl to explain more detail about the Society's financial performance over the past 12 months.

Karl: I'm pleased to report that the Society fared well during 2020, despite significant economic impacts caused by the coronavirus pandemic.

We ended the year having made continued strategic progress and financially stronger, with increased profits, as shown in the graph, reduced arrears, strengthened reserves and total assets at an all-time high of over £200m.

The Society, as a mutual, does not pay shareholders' dividends. It's also our policy not to pay executive bonuses. Profit is therefore fully re-invested back into reserves, building financial strength and resilience for members' benefit.

A key indicator of financial strength, within the financial sector, is the total capital ratio, which broadly compares our profit reserves to the underlying risk of our assets. As profit increases or risk reduces, the ratio increases. I'm pleased to report that this ratio has increased significantly over the past five years, from 14% to over 17% in 2020.

The key reason that the Society profit outperformed the prior year, despite COVID, is due to improvement in our net interest income and margin.

As mentioned previously, the Society's strategy is to increasingly focus on supporting borrowers who are not well served by the mainstream market. This type of business typically requires underwriters to examine each case on its unique merits. Mortgage rates in this section of the market have not fallen, following the base rate reduction, to the same degree as 'vanilla' mortgages. By moving increasingly towards this underserved section of the market, net interest margin has improved as shown on the graph.

COVID has impacted the amount of new mortgage lending achieved in 2020, £20m versus £26m in the previous year. This was due to both the UK housing market largely shutting down during the first COVID lockdown and, as reported widely in the press, the slower speed of house sale completions in the UK. On a positive note, however, these delays have meant we brought a really strong pipeline forward into 2021.

Despite lower new advances, as shown in the graph opposite, the actual reduction in the mortgage portfolio due to COVID-19 has been small. This is because the Society retained 81 per cent of mortgages that had come to the end of their discount schemes, one of the highest retention rates in our recent history.

Overall, the Society has a very high-quality mortgage book, characterised by an average loan-to-value of just 34%. This low-LTV mortgage book helps to protect the business in difficult times.

As a result of the pandemic, there was a significant inflow into the Society from our savings members, due to being seen as a safe haven in difficult economic times, as well as offering a favourable rate of return compared to the marketplace.

As you may be aware, this has meant we have had to carefully manage our liquidity by removing some savings accounts from 'sale' to new members, from time to time.

As shown on the graph, savings balances, however, grew strongly in 2020, by £7.7m.

While expected, our financial performance in 2020 was impacted by COVID. Yet, despite the pandemic, the Society managed to grow its balance sheet, liquidity, capital and profitability.

Stuart?

Stuart then confirmed that the required quorum was in place to be able to proceed with considering the resolutions for this year. He went through the results of member voting on the resolutions, after confirming that he had voted in favour of all proxies passed to him as chairman.

Stuart then asked Karl to answer questions received from members, as follows:

What impact do you think the COVID-19 pandemic could have on the Society during 2021?

Karl: We are not complacent about the potential risks as the UK and wider world begins to emerge from the global pandemic. Potential impacts include business closures, unemployment and the potential of a fall in house prices.

We also recognise the impacts of the Government's withdrawal of the extensive support measures it has put in place, are as yet unknown.

In difficult economic environments, customers' ability to afford to pay their mortgages reduces and mortgage impairment losses tend to increase. Overall, the Society's high-quality mortgage portfolio and customer profile, focused on areas such as later-life lending, should help ensure it is relatively well protected.

Similarly, the fact that we are solely funded by member deposits and have no exposure to the wholesale funding markets, should reduce risk.

I should mention that, as a routine, we rigorously stress test our financial position against a set of exceptionally-challenging risk scenarios, to ensure our preparedness. These scenarios include, for example, a severe negative Bank of England base rate, a significant fall in house prices and steep rises in mortgage payment difficulties brought on by a deep recession. The results of these tests indicate that the Society has sufficient capital and liquidity to be able to continue in business, even under the most exceptional stressed scenarios.

In summary, we feel we are well placed to weather what may be a difficult economic period ahead.

What does the pandemic mean for future AGMs?

Karl: We're constantly reviewing our AGMs, as a really valued way of engaging with our members.

We hope to build on the learnings from this first online event and offer a mix of an even better online experience and, COVID-permitting, an opportunity for members to attend in person as well, if they wish.

We’re also exploring new possible venues to be able to potentially accommodate more members, as well as the possibility of including entertainments and other activities around the proceedings, if members tell us that they would value that.

Stuart then concluded the AGM proceedings

Well, that just about concludes our one-hundred-and-fifty-third AGM.

Thanks for your participation and a fond farewell from Karl and myself.

To play us out, I’d like to leave you with a little reminder of why we’re here, doing what we do.

A video about the Society then played to close the event.