

**MONMOUTHSHIRE BUILDING SOCIETY
MINUTES OF THE ANNUAL GENERAL MEETING HELD AT
BUSINESS SUITE, RODNEY PARADE RUGBY GROUND, NEWPORT, SOUTH WALES
ON WEDNESDAY 24 AUGUST 2022 AT 11AM**

Present

Debra Lewis in the Chair and other members as recorded in the attendance book.

Introduction

The Chair welcomed everyone to the Society's 153rd Annual General Meeting.

The Chair asked the Board members and Company Secretary on stage to introduce themselves.

Presentations

The Directors' Report, Annual Accounts and Annual Business Statement for the year ended 30th April 2022 were formally presented to the meeting.

The Directors' Report, having been previously circulated, was taken as read but the Chair summarised the more important aspects of the year. The key points raised in the course of her address included:

- The past year had been one of continued uncertainty. Whilst restrictions relating to COVID-19 had finally been lifted, the lingering impact of the pandemic together with the appalling events in Ukraine, had created an uncertain, inflationary environment.
- Despite that, a buoyant mortgage market persisted throughout the financial year with strong house price increases across England and Wales. The Society had delivered its lending strategy, with its core residential mortgage lending supported by a range of buy-to-let, holiday let and commercial lending offerings. The Society's mortgage book grew by 6 percent in the year to £1.2 billion.
- During the year, the Society attracted £101m in new deposits as it sought to protect its existing retail deposit base against all-time low savings rates. Following recent base rate increases, the Society increased savings rates across its product range, including its back book, and would continue to review those rates as a result of any future changes by the Bank of England.
- The Society remained committed to providing outlets where its members could speak to someone in person and the latest addition would open on Queen Street in Cardiff this autumn. The Society looked forward to welcoming members to the new location.
- The Society's network of outlets is integral to community engagement, a core value of the Society. The Society's Branching into Communities initiative had provided financial support to grass-roots organisations in its communities. The charitable foundation had been re-

launched which celebrated its 21st birthday in the year, alongside a new colleague in the community programme which had resulted in colleagues donating over fourteen-hundred hours of time to causes in the local community.

- Building on community focus, the Society had announced that it was working with Welsh Government to develop the aspiration of the Banc Cambria Community Banking model and looked forward to sharing more on that initiative as it progressed.
- Whilst the experience of the past few years had been a challenge for everyone, it had forced the Society to adapt and change in positive ways and accelerated that rate of change. In particular, the Society's colleagues now worked in an agile way both at home and in the office. The Society continued to focus on colleague attraction, retention, and development as it recognised the critical role it played in delivering its strategy and quality of service to its members.
- Recent extreme weather conditions around the world had highlighted the reality of climate change. The Society had taken several actions during the year, engaging in policy development, and providing tools which supported its members to identify and take action in their own homes. The Society had its own responsibility to the environment as a business and it continued to assess its impact and the necessary actions needed to become a net-zero carbon organisation.
- The Society's financial performance in the year had been strong, with profitability increasing in line with improved net interest margin and favourable fair-value movements in its derivative positions. Those profits strengthened the Society's capital position and provided a firm foundation for its future growth.
- The Chair had announced the previous year, this would be her final AGM as Chair of the Society. Roger Turner, who had been a Board member for seven years, would succeed her, pending regulatory approval and the Chair wished him the very best success in leading the Society's development into the future.
- The Chair was delighted that the Board had been further strengthened by making three new appointments. Colin Brereton had been appointed as a non-executive director. Colin brings over 38 years of leadership and advisory experience, during his career with PwC as well as several Non-Executive Roles. Colin would take over as Chair of the Audit Committee from Tony Morgan who had served on the Board since 2013. The Chair was grateful to Tony for continuing as a member of the Board for an extra year, helping to provide continuity and ensure a smooth transition.
- The Chair also welcomed two new additions to the Executive Board, Tom Leach as Chief Financial Officer and Julian Bill as Chief Risk Officer, both of whom had impressive track records in financial services. Julian was appointed to his role on 1st August after the Notice of Meeting was distributed and would stand for election next year.
- The Chair had been a member of the Board for eight years and Chair for the last four. Despite the challenges faced particularly over the last two years, the Society had continued to grow and evolve as a business. It was a vastly different business to the one that the Chair had joined, and the Chair was pleased to have led the Society through a significant period of transformation and growth.

- The Chair thanked the Board, the Executive team, and all colleagues at the Society for their continued commitment, enthusiasm, and dedication in ensuring Monmouthshire Building Society remained successful. The Chair also thanked the Society members, for their unwavering support, understanding and patience through challenging times.

Having concluded her address, the Chair called on the Chief Executive Officer (CEO), Will Carroll, to discuss the Society's performance and strategy.

The key points raised by the CEO in the course of his address included:

- The CEO thanked the Chair for her words and for her service to the Society over the past eight years and commented that he had enjoyed working with her. The CEO commented that the Chair should take great pride in the advances the Society had made during her time as Chair despite the considerable headwinds of recent years.
- The CEO was pleased to speak at the AGM about the Society's strategy and performance for the year ended 30th April 2022. Like the Chair, he was grateful that the Society could once again undertake the Society's AGM in person.
- The Society's purpose is to help its members, communities, and colleagues to thrive, today and tomorrow. The Society's vision is to build an innovative, exciting modern mutual. In support of its purpose and vision, the Society embraced the responsibility to help address some of the social, economic, and environmental challenges its members, communities and colleagues faced. The Society did that by ensuring the Society remained sustainable in the long term and accessible to all. The Society's values – community, personal, dynamic, and quality – are embedded in the culture of the Society and central to everything it did.
- The Society embarked upon a new, member-led strategy from 1st May 2021. Aligned to the Society's vision, the strategy was underpinned by its aspiration to grow to a £2 billion Society by asset value by the end of the 2025-26 fiscal year. Growth at that scale would ensure the Society remained financially sound with the agility to respond to the needs and expectations of its members both now and into the future.
- The Society's financial performance for the year was strong, despite the uncertain environment. The balance sheet grew by 7 percent to £1.49bn in the year despite fierce competition in the mortgage market, supported by net lending of £88.5m. Loan loss provisions against this lending had reduced in the year as the impact of the Covid pandemic that was initially feared failed to materialise. An increase of £117k had been applied to its existing affordability provision in response to the potential impact of inflationary and cost of living pressures on the Society's members that currently existed in the marketplace.
- The Society's underlying profit before tax for the year was £5.16m with a statutory after-tax profit of £7.78m. Those profits contributed directly to the reserves of the Society, ensuring its balance sheet was safe, secure, and fit for purpose for both the regulatory and economic environment of today and the future.
- The Society has sufficient levels of capital above its regulatory requirements, a solid foundation to achieve increased levels of growth for the remainder of the strategic plan, further bolstered by the strong profits of the past year. The Society's capital reserves stood at £72.5m at year end.
- The Society's financial performance had been achieved whilst maintaining an excellent level of service to its valued members. Member feedback highlighted the Society's success,

with 95 percent of members surveyed saying they would use the Society again, and 94 percent saying they would recommend to family and friends.

- As the Chair highlighted earlier, the CEO is immensely proud of the impact the Society had on its communities over the past 12 months, with its Branching into Communities and Colleague in the Community initiatives, alongside the work of its Charitable Foundation. Recognising the strong performance of the Society over the past year, and its desire to make a positive impact on communities, the Society was pleased to announce it had made a £50,000 donation to its Charitable Foundation, more than double its usual contribution. Those funds would be used to support local community groups, organisations, and good causes across South Wales and the southwest of England.
- Beyond that, the Society's ambitious strategy sought to make an even greater impact across the whole of Wales. In December 2021, the Society revealed plans to deliver Wales's very first Community Bank – one of the biggest and most exciting developments in the Society's history. With strong support from Welsh Government, a Community Bank for Wales would lead the way in providing high-quality, accessible retail banking to communities across Wales.
- The Community Bank is a good fit for the Society as a proud Wales-based mutual serving the needs of the people of Wales for over 150 years. Delivering the Community Bank was an exciting opportunity to build further on the Society's vision of the modern mutual. Exploratory work to consider supporting the launch of the bi-lingual community bank continued throughout the year, with a large recruitment drive going live in early July. The Society looked forward to sharing more detail on the exciting initiative with its members as it progressed.
- Earlier, the Chair mentioned the impact of climate change and alluded to actions the Society had taken in response. Climate change is, and would remain, a strategic focus for the Society.
- In support of the Society's core purpose, the Society embraced its responsibility to help address some of the social, economic, and environmental challenges members, communities and colleagues faced by operating responsibly and delivering a Society for members that is sustainable, and accessible to all. That clearly included a responsibility to assess its environmental impact and take action to ensure that impact is minimised. Over the past year, the Society:
 - Launched a range of Energy Efficient Home Purchase mortgages which offered improved affordability criteria for properties with an Energy Performance Certificate rating of A.
 - Took first steps in supporting members to decarbonise their homes, becoming a founding partner of Optimised Retrofit – a project that would see more than 1,700 homes across Wales made more energy efficient.
 - Launched its Social Responsibility panel which engaged colleagues across the Society to support local initiatives, share experiences and identify opportunities for change – all which had a positive impact on the environment and communities.
- With those initiatives, and more in the pipeline, the Society was committed to measuring and reducing its energy consumption and carbon footprint.
- Key to achieving strategy was the ongoing development and support of the Society's colleagues and an inclusive culture which encouraged the core values of the Society to be

central to all business activities. Adapting to new, more flexible ways of working was certainly the biggest change that came out of the pandemic.

- The Society would remain flexible to further changes and aimed to achieve a unique, dynamic, inclusive working culture that served to attract the best talent and retain existing colleagues to create an environment which rewarded achievement and fostered success.
- Over the past year, that had involved the roll-out of laptops for all colleagues to enable true flexible working. The new devices enabled a consistent, modern working environment, and increased the Society's resilience to disruption. Those new ways of working ensured the Society kept pace with changing expectations for the workplace and improved its ability to attract and retain talented colleagues.
- Whilst the Chair had already advised of changes to the Non-Executive and Executive Directors, the CEO took the opportunity to update members on changes to the Society's executive team. Over the past year, the Society welcomed to the executive team Eve Wilkins as Chief Customer Officer and Steve Phillips as Community Bank Programme Director. Both Eve and Steve had occupied senior roles in the Society in recent years, and he was delighted to have them join the Society's executive leadership team.
- The CEO announced that Mandy Garrett would be joining the Society in September as its Chief Technology and Innovation Officer.
- The expanded executive team, moving from five to eight individuals, provided the depth and breadth of leadership and experience necessary to deliver the Society's ambitious strategy.
- In closing, the CEO took a moment to recognise and thank his colleagues for what they had achieved over the past year, despite the persistent challenging circumstances they had faced. Their efforts had delivered fantastic results and service to its members.
- The CEO confirmed that the Society remained committed in helping its members, communities, and colleagues to thrive today and tomorrow, and would continue to work tirelessly to ensure the Society's long-term sustainability in the face of ongoing uncertainty.

The CEO handed back to the Chair to go through the formal business of the meeting.

The Chair advised that the Notice of the Annual General Meeting had been distributed to members with the Customer Newsletter and Summary Financial Statement. The Auditor's Report was included within the Summary Financial Statement. Tom Aylott representing BDO was present. The Chair also pointed out that the Annual Report and Accounts, Directors Report and Annual Business Statement were available on the website.

The Chair advised that there had been no notice of any other business received and therefore the business of the meeting was limited to that set out in items 1 to 4 of the agenda.

Members' Questions

The Chair explained that questions had been received from members via the internet on a number of topics. In the interests of time and repetition, those questions had been grouped together where they were of a similar theme.

A member referred to the low interest rate environment and asked that the Society review current interest rates.

The CEO referred to the low interest rate environment over the past ten-fifteen years.

The Society had already, pleasingly, passed on rate increases following the latest Bank of England base rate rises to all existing member savings accounts as well as launching new competitive bond and ISA rates.

He was pleased to announce, to reward the loyalty of members, that a member only savings bond would be launched the following day for eighteen months at a rate of 2.97 percent.

Balancing the needs of mortgage and savings members had been a priority and only partial increases had been passed on to the members on the Society's standard variable rate in recognition of the cost-of-living crisis to protect mortgage members.

A member asked if the Board could consider what they were doing to avert/mitigate climate change and what the Society could do to raise awareness with its partners and provide leadership on that matter.

Liz McKenzie (LM) (NED) responded that there was a clear action plan on the Society's direction to net zero. This year there was a target for a 10 percent reduction for carbon in all premises. The Society also has a Social Responsibility Panel (of which LM is a member) which focused on educating colleagues about their personal impact on the planet and provided tools and guidance on how to reduce their personal carbon footprint. Alongside that the Society has its own carbon reduction plan and had made significant changes to the assessment and due diligence of its current and new suppliers to ensure they are also demonstrating positive progress towards carbon reduction.

The most influential area was in helping customers to make their own personal journey towards net zero homes.

Dawn Gunter (COO) explained that the Society understood the importance of delivering solutions that positively impacted climate change and had been actively leading on a project in collaboration with SERO, Rightmove and the Royal Institute of Chartered Surveyors over the past few years. The aims of the project were to support consumers to buy energy efficient homes by using a mortgage product designed by the Society that recognised low energy bills and increased homeowners understanding of their journey to net zero homes.

A member noted that the Board identified knowledge and training gaps on various subjects such as climate change and those are addressed by holding sessions on them. He asked if the Board felt it appropriate to appoint a non-executive director with specific experience in that area.

The Chair responded that each non-executive director completed an annual skills assessment and performance review. Through those assessments and the Board effectiveness review, areas for ongoing training and development were identified. During non-executive succession planning and recruitment, it was taken into account the need for certain skills on the Board and that determined the overall Board composition. The Board as a whole, and each director individually, were committed to ensuring they stayed up to date with topical issues and were fully supportive of playing their part in addressing climate change and encouraging sustainable building practices. The Board recognised that there were some areas which are continually advancing, as noted. At the moment, the Board considered that the subject matter experts for those topics are best located within the Executive team, rather than as a specific, quite narrowly focussed non-executive. Technical support, where needed, would continue to be provided by the executive and consultants to keep the Board up to date with the very latest thinking and leading best practice.

A member asked if the Society had a policy concerning investment in companies that mine, extract, refine or distribute fossil fuels or any banks that fund such activities.

Tom Leach (Finance Director) responded that the Society's Treasury Policy, which was authorised by the Board, set out the counterparties in which the Society can invest. The Society did not directly invest in any companies which mine, extract, refine or distribute fossil fuels, and the Society's surplus funds were predominantly held either with the Bank of England or invested in UK government debt instruments such as Gilts.

The Society could not however remove itself entirely from the UK financial services landscape. It used the main UK clearing banks and payment networks to process incoming and outgoing payments, which required funds to be held on demand with those banks. It also invested an element of its surplus funds in instruments issued by UK banks and building societies.

The Society was fully supportive of the efforts of the Bank of England and other bodies to increase the transparency and disclosure of climate risks and impacts arising from the financial sector, and in supporting an economy-wide transition to net zero. It was also committed to actively reviewing its own policies and procedures to ensure they were compatible with the UK's climate targets, and to going further in its own climate mitigation activities.

A member asked if the Society intended to open further branches or agencies, in addition to the Brecon branch.

Roger Turner (NED) responded that the Society remained proudly committed to opening outlets on the high streets of Wales and the borders and continued to seek opportunities to open more outlets, (with the branch in Brecon at the start of 2021 and the imminent opening of a new branch in Cardiff this Autumn).

The Society was also looking at the possibility of launching a Community Bank for Wales. The Society recognised the value of a physical branch presence on the high street and how the closure of bank branches had contributed to the decline of the high street and the removal of valuable services for certain individuals. The Society as part of its consideration of a Community Bank for Wales would launch up to thirty retail outlets across Wales over a period of up to seven years. The Society understood how important it is for its members to access cash and as such remained committed to keeping branches and agencies within its communities.

A member asked a question which covered three elements.

- The first referred to banks closing branches and digital currency being ushered in.
- The second part asked for assurance to provide confidence that monies invested in the Society are safe, accessible and if there could be bank bail ins on the horizon.
- And lastly, who the Society banked with and whether it was independent of banks.

The subject of banks closing branches had been dealt with previously.

The COO responded, as previously mentioned the Society remained committed to opening outlets on the high streets of Wales and the borders and continued to seek opportunities to open more outlets. The Society understood how important it was for members to access cash and as such remained committed to keeping branches and agencies within its communities.

Whilst the Society was monitoring the digital currency market, the adaptation of digital currency was not currently within the Society's strategic plan.

Julian Bill (Chief Risk Officer) responded to the second part of the question about monies being safe and accessible.

The Society was well capitalised which protected it against potential loss scenarios such as an increase in mortgage defaults. The Society assessed its exposure to such events each year through a process known as stress testing, in which it simulated the effect of different economic scenarios on the ability of the Society's borrowers to pay and the value of the collateral which they

borrow against. The Society also held a large buffer of on hand 'liquid' assets which could be readily converted to cash. That ensured Members' funds were accessible at any point, and again the Society ran regular stress tests to confirm that the level of liquid assets held was sufficient.

The stability and soundness of the UK banking system as a whole was the responsibility of the Bank of England, but it was safe to say that the levels of both loss absorbing capital and on hand liquidity were very significantly above the levels held at the time of the banking crisis of 2007/8. The Bank of England's latest published views on the banking sector state that it considered banks to be adequately capitalised, and the Society did not envisage any sector wide issues as was seen during the 2007/8 crisis.

Lastly, to answer the question on relationships with banks. The Society does have relationships with the large clearing banks which enabled it to access the UK's payment systems, in particular HSBC and Barclays, and surplus funds are invested in instruments issued by other UK banks and building societies which met prudent credit quality requirements. However, the majority of the Society's 'on hand' funds are placed either with the Bank of England or are invested in very safe and liquid UK government debt.

The Society was not owned by another company and was an independent mutual Building Society. Members were also protected by the full value of the Financial Services Compensation Scheme, currently up to £85,000 per eligible person or £170,000 for joint accounts.

A member asked about the Society donating to the council to support Ukraine refugees in Wales.

The COO who is a trustee of the Society's charitable foundation, responded that the Society understood that its colleagues, members, and the communities it served, may continue to experience distress at the humanitarian effect the invasion of Ukraine was having on its citizens, as well as being felt by family and friends across the world. The Society provided the opportunity for members and colleagues to donate to the Disaster Emergency Committee (DEC), which provided much needed food, water, shelter, healthcare, and protection to the people of Ukraine, and those fleeing their homes through branches or links on the Society's website.

Whilst the Society stood in solidarity with the people of Ukraine and everyone who was affected by this war, it already had a charity partner and a Charitable Foundation where Society donations were made.

The CEO thanked all members for their questions.

The Chair asked whether members present had any further questions.

A member commented that he did not have access to a computer and had taken advantage of the jubilee bond product as he had been in branch at the time of offer. He did not receive any postal communications and asked if there was a way, he could be contacted other than via email.

The COO responded that there are flags on the IT systems that can be set for customers. Therefore, another contact channel could be set, and she would speak with Mr Wood after the meeting.

Voting

There being no further questions, the Chair invited any members who had not yet voted, to do so

When all members had registered their votes, the scrutineers conducted their final count while a short video presentation of awards made by the Society's Charitable Foundation during recent years was shown.

The following results were announced.

Resolution to Receive the Auditors' Report, Directors' Report, Annual Accounts and Annual Business Statement

The Secretary reported that the resolution to receive the Auditor's Report, Directors' Report, Annual Accounts and the Annual Business Statement for the year ended 30 April 2022 was carried 98.86 percent in favour.

The Chair declared the Auditor's Report, the Directors' Report, the Annual Accounts and Annual Business Statement for the year ended 30th April 2022 duly adopted.

Resolution to Approve the Directors' Remuneration Report

The Secretary reported that the resolution to approve the Directors' Report on Remuneration for the year ended 30th April 2022 was carried 95.06 percent in favour.

The Chair declared the Directors' Report on Remuneration for the year ended 30th April 2022 approved.

Resolution to re-appoint BDO LLP as Auditors

The Secretary reported that the resolution to re-appoint BDO LLP as Auditors until the conclusion of the next Annual General Meeting was carried 94.96 percent in favour.

The Chair declared that BDO LLP had been appointed as Auditors until the conclusion of the next Annual General Meeting.

Election of Directors

The Secretary reported that the resolution to elect Colin Brereton as a director was carried 95.91 percent in favour.

The Chair declared Colin Brereton duly elected.

The Secretary reported that the resolution to elect Tom Leach as a director was carried 96.80 percent in favour.

The Chair declared Tom Leach duly elected.

Resolutions for the Re-Election of Directors

The Secretary reported that the resolutions for each Director offering themselves for re-election, had been carried as follows:

To re-elect Trevor Barratt	95.80 percent in favour
To re-elect William Carroll	95.95 percent in favour
To re-elect Marian Evans	96.29 percent in favour
To re-elect Dawn Gunter	96.08 percent in favour
To re-elect Liz McKenzie	96.19 percent in favour
To re-elect Tony Morgan	95.60 percent in favour
To re-elect Roger Turner	95.81 percent in favour

The Chair declared the said Directors duly re-elected.

Any Other Business Permitted by the Rules of the Society

There was no further business of the meeting.

Close of Meeting

There being no further questions, the Chair declared the 153rd Annual General Meeting of the Society closed and thanked those members in attendance and those who had submitted questions to the Board.

K M Harris
24 August 2022