ANNUAL GENERAL MEETING 29 April 2021

Chair's Speech

2020 was the Society's 150th year and our anniversary was marked by the impacts of the Covid 19 pandemic. However the Society adapted quickly to the new environment and had a very satisfactory year.

LOOKING FIRSTLY AT THE ECONOMY

In the face of the pandemic the Bank of England cut the base rate from 0.75% to an all-time low of 0.1%. This action impacted the Society by reducing the return on money held with the bank and by lowering receipts on treasury instruments.

UK economic activity fell in the first quarter but it was April when an unprecedented reduction of 18.8% in GDP showed the impact of the pandemic on the UK economy. The final quarter however grew only by a further 0.6%. By Q1 2021 the economy is around 12% smaller than its pre-Covid size.

2020 saw a rise in UK unemployment and around 800,000 fewer employees were in work at the end of the year than the start. This was despite the furlough scheme which, in April, was supporting approximately 38% of all private sector roles.

CPI inflation fell and remained below its 2% target in 2020 but house prices surprised most commentators by staging a significant rally after the summer lockdown. Nationwide Building Society house price index ended the year 7.3% higher. In the UK the final quarter of 2020 saw the highest mortgage volumes for at least five years. The Stamp Duty "holiday", which is now set to run until later in 2021, clearly helped to motivate the market with the incentive of savings of up to £15,000 in duty for qualifying purchases.

Remarkably, household savings in 2020 were £125-150bn above recent yearly averages as lockdown restricted spending on leisure, clothing and transport. However, it was the higher income employed and retirees that mostly drove this increase. By contrast, lower income households generally saw their savings reduced. It is the extent to which these "enforced" savings are spent or held once Covid restrictions are lifted that will impact the shape of the recovery.
Brexit, which had been expected to be a major feature of the 2020 economic scene, was eclipsed by the pandemic – however early indications are that for the UK mainland impacts are modest although cross border EU trade is lower than it was 12 months previously.

MHBS' BUSINESS RESULTS

The Society is guided by its vision of putting members and communities at the heart of what we do. To achieve this we aim to give savers security, great service and long term attractive rates. I am pleased to report that profit before tax for the year was £2.67m and the society's capital grew to £44.9m (8.5% reserves/total assets). This strong profitability was not achieved at the cost of savers' rates and £750,000 more interest was paid to members in 2020 than the previous year despite the Bank of England base rate falling by 0.65% in the first quarter. The Society did not reduce savers' rates until much later in the year shielding them for most, if not all, of 2020. For example our 120 and 180 day notice accounts paid 1.60% and 1.75% respectively all year. Savings balances increased by £21m in part as withdrawals slowed mid-year due to lockdown but also as a result of account openings of new notice products.

Following government guidance, the Society operated as an essential service throughout 2020. Health and safety reviews allowed branch staff to work safely and Head Office staff quickly migrated to home working with portable devices and secure logins. The Society is exploring the role of homeworking for the long term.

Mortgage advances for the year were £94m, a little lower than the previous year, reflecting the market slowdown. Nevertheless the mortgage book grew slightly and at the year-end stood at £427m. The credit quality of the Society's mortgage book remains good and 98% of mortgage balances were up to date and not subject to any form of forbearance at the year end. Total arrears balances were £7.5m and this compares to approximately £5m in pre-Covid times. The granting of up to six months payment holiday for borrowers experiencing cash flow issues was successfully managed and by year end stood at only 12 accounts with balances less than £3m. However, in recognition of a weakened economy the Society increased its provision slightly in the year by £0.2m.

YOUR SOCIETY

The Directors maintained our meeting schedule in 2020 reverting to using a virtual Board room and additional meetings were held to ensure that Covid impacts were being well managed.

There were a number of changes in Board membership in 2020. Our long serving chair, Nicholas Johnston, retired at the 2020 AGM and our thanks go to him for his leadership of the Board. Nicholas was succeeded, as planned, by Mike Bury (who joined the board in 2019). However, very unfortunately, Mike became unwell and as a result I assumed the Chair in the middle of the year.
At the same time Andrew Merrick became Vice Chair and Jon Fox became Senior Independent Director.
We also welcomed two new NEDs in December; Nala Worsfold and David Stunell. Nala has over 20 years' experience in financial services, most recently in senior roles at NatWest Group and UK Finance. David has a long career in banking including holding treasury and other leadership roles at RBS, Lloyds TSB, and large Building Societies.

It was the Society's 150th Year and winning the Harborough Business of the Year award in our special anniversary was particularly pleasing.

I want to thank each one of our members – both savers and borrowers - for their support in 2020. I also want to recognise the Society’s loyal staff, business partners and suppliers for their contribution in this most demanding year.

CHAIR’S SPEECH ENDS