

ANNUAL GENERAL MEETING 28 APRIL 2022

CHAIR'S SPEECH

2021 was a challenging year for many of our members, staff and suppliers. The pandemic was the backdrop to the Society's trading and activities and the economic impacts of Covid and government initiatives were significant factors.

I am pleased to report however that we operated with minimal disruption to customers and delivered record mortgage lending and profits.

ECONOMY

We entered 2021 with Covid restrictions which severely slowed the economy but after July relaxations of those restrictions meant that pent up demand became a boost to consumption. In the housing market the temporary reduction in Stamp Duty drove the housing market into record volumes of transactions in June as well as strong house price inflation –10% nationally by December.

Inflation (at a 30 year high) is significantly ahead of the Monetary Policy Committee's (MPC) target of 2% and they voted by a majority of 8-1 in December 2021 to increase Bank Rate by 0.15 percentage points, to 0.25%. Since then further base rate rises followed and more are expected this year.

This restarting of the economy led to UK wide staff shortages and by December the number of job vacancies rose to a record 1.2 million. At the same time the unemployment rate at year end fell back almost to its pre Covid level of 4.1%. Wage inflation, although negative in real terms, was 3.5% in November with prospects of increasing further in 2022.

The Russia/Ukraine conflict and the continuing risks from Covid make for an uncertain medium term outlook for both output and inflation.

BUSINESS RESULTS

Our financial strength since 1870 has been built on our focus on savers' and borrowers' needs.

We delivered very competitive savings rates in 2021 by continuing to provide bespoke mortgage solutions to poorly served markets both local and nationally.

On the back of strong pre-tax profits of £5.0m Society's reserves grew to £49.6m maintaining MHBS' position as one of the best capitalised Building Societies (10.1% reserves/total assets).

New mortgages advances of £132m were more than 140% of 2020's (£94m). The year's advances was a record and service standards were met as we improved our processes and grew our capacity. Mortgage growth in the year was however a modest £12m.

Brokers are essential partners in our mortgage success and we place great importance on providing them with quality service. Feedback is collected through the independent web platform Feefo and we work hard to maintain our 5 star scores.

The Society's mortgage book continues to perform better than the sectoral average and 99% of mortgage balances were up to date and not subject to any form of forbearance at the year end.

Total arrears balances as at 31st December were £36k compared to £61k twelve months previously. In fact the emergence from the furlough scheme led to no appreciable rise in arrears. Of course the pandemic meant some borrowers faced challenges and we supported them.

As you would expect, the Society followed Government Covid-19 rules and guidance throughout 2021. Health and safety reviews allowed branch staff to work safely with customers and all branches remained open. Head Office staff continued to work from home, however are moving to permanent hybrid (home/office) based working as conditions allow in 2022.

YOUR SOCIETY

As I mentioned last year, Mike Bury who succeeded Nick Johnston as our Chair became unwell in 2020 and I assumed the Chair. Tragically, Mike died last year and I want to record my recognition of his contribution and offer our deepest sympathies to his widow Stella.

2022 will see our long standing CEO Mark Robinson retire later in the year. We have commenced the search for his successor. The Board wish Mark all the best in his next ventures and thank him for his service.

Finally I want to say thank you to all our members – savers and borrowers - for their support in 2021. I also want to recognise the Society's loyal staff, suppliers and business partners for their vital contributions in a challenging, but very successful year.

CHAIR'S SPEECH ENDS