

Annual General Meeting

Agenda:

1. Welcome by the Chairman
2. Verification of Quorum and Apologies
3. Approval of the Minutes of the last Annual General Meeting
4. Report of the Board of Directors: Frank Eliel
5. Report of the Treasurer and consideration of Accounts: Ruth Wailes

Proposal for the payment of Dividend (see below)
6. Report of the Auditor: Ruth Wailes
7. Appointment of Auditors for the coming year: Ruth Wailes
8. Report of the Supervisory Committee: David Daynes
9. Any Other Reports:

Office Report: Chris Mole
10. Election of Directors
11. Election to the Supervisory Committee
12. Any other business
13. Amendment to rules (see Proposed Motion below)
14. **Proposal of the Honorarium to the Treasurer**

Proposed Motion:

The Board recommend the extension of the common bond to include employees of Greene King plc and the Ipswich Hospital NHS Trust its successors.

Proposed Dividend:

The board proposes that a dividend is not paid.

(N.B. Interest will be paid on Junior accounts at 2%)

2016/2017 Board of Directors

| | |
|-----------------|-----------|
| Frank Eliel | Chair |
| Ruth Wailes | Treasurer |
| Julie Mansfield | Secretary |
| Mike Harrowven | |
| Denise Lawson | |
| David Adams | |
| Sally Chicken | |

Supervisory Committee

David Daynes (Chair)
Wioletta Stroz

Complaints Officer

Julie Mansfield

Chief Executive

Chris Mole

Suffolk Team

Mark Rattle
Sylvia Ellis
Linda Taylor
Becca Cotton
Chris Day

Wendy Charles-Davenport
Ron Porter
Tony Cooper-Squirrell
Lisa Lockwood
Michel Scott

Norfolk Team

Sue Orford (part)

In addition to those named above, the Board of Directors wish to thank the many volunteers without whose help we could not function.

New directors will be elected at this meeting.

Directors' Report

We have again welcomed nearly a thousand new members during the year, however we have further closed dormant accounts leaving us with around 3,500 active members.

The board met monthly to review progress, and to provide strategic guidance to the credit union. To help with this it has received regular reports from the Treasurer, the Supervisory Committee, the Marketing Sub Committee and the Chief Executive.

We have focussed on the opportunities for online and digital marketing, promoting the credit union to payroll partners and for growth in Cambridge. We note the increasing number of members using online loan and membership application processes from all three counties in our common bond.

We withdrew from our commitment to be an early adopter of the national Credit Union Expansion Project (CUEP) transformation program as we assessed the platform not to be affordable. We now note the collapse of the project following difficulties implementing the model in three pilot credit unions.

We continued to use the CUEP Automated Lending Tool and believe this is having a positive impact in reducing our bad debt.

We have made more larger loans at lower interest rates where the borrower can be assessed to be a lower risk of defaulting on their repayments. This meets our strategic objective of underpinning the credit union's lending with longer term secure lending. Whilst these loans now constitute 22% of the funds we lend, they are made up of just 6% of the volume of applications we consider. The bulk of our work continues to focus on those whom might otherwise use a high cost lender.

We continue to work strongly with a range of partners including housing associations and councils across the common bond. We have sought to refresh and expand these relationships during the year.

We had maintained a dialogue with Rainbow Savers Anglia Credit Union about the potential benefits of merging, however discussions are currently suspended. We share our common bond of Norfolk, Suffolk and Cambridgeshire with RSACUL and have aligned many products and processes over several years.

The directors thank the office staff and volunteers for their hard work during the year.

The recurring annual membership fee continues to make an important contribution to our income. We have seen no significant reduction in total member deposits. The credit union still holds sufficient member deposits to support our lending. We recognise this fee is controversial but remain committed to this mechanism until the credit union returns to profitability.

Our aim remains to deliver growth in membership and lending to secure the future of the credit union without external support. We aim to provide services to the whole community but will never forget we may be the only provider of financial services for those at risk of financial exclusion.

This is my last report from the chair and I wish the board and credit union well in the future.

Frank Eliel – Chair, On behalf of the Board of Directors

Treasurer's Report

For the year ended 30th September 2017, the Credit Union is reporting a loss of £3,814. This is an improvement of almost £17,000 from 2016, which in turn was £6,000 better than in 2015.

Income for 2016/17 has remained at a similar level to last year, with interest on members' loans increasing by just under £4,000. Bank interest dropped as the high street banks have reduced their interest rates and this is where we hold monies not out on loan to members. There is a double hit as we have to pay tax on bank interest received too. The best use we have for the funds available to us is to lend them to our members which gives a higher return than the banks and is tax free income.

The member service fees brought in £35,697 income in the year; this was £6,000 less than the previous year, as a number of members left the Credit Union and others let their account balances reduce to nil. It is better that we only have active members on our books and have an accurate idea of the number of people who are using the Credit Union rather than inflating the numbers with dormant accounts. Without the member service fees over the last couple of years the Credit Union would have become insolvent and ceased to exist, so whilst it was an unpopular decision both with the members and the Board, we have to accept that it was a very necessary step to take.

As a Board we have always had the goal of the Credit Union becoming self-sustaining and not reliant on grant income. As public-sector organisations are being squeezed financially, they have less discretionary spending, and the grants to the Credit Union have reduced in recent years. Those that we now receive are usually for areas of work that the councils, housing associations, etc wish to outsource. If, for whatever reason, they decide to stop those activities then the funding stops, and the Credit Union has to lose any staff whose salaries were linked to those grants.

We have managed to reduce our administrative expenses by nearly £48,000. During the year we closed the Credit Union Current Account, and in its place offered members a prepaid card which had added benefits for the members with a lower cost to the Credit Union. We also cut our wages bill by £20,000 in line with lost grants as explained above.

Marketing costs increased by £10,000 as the Board took the decision to use more digital marketing methods so as to reach potential members in those communities that we would never be able to reach in person or with a collection point. Loans issued during the year increased by £80,000 compared with the year ended September 2016 and the additional interest on those loans will come into the accounts in future years.

Bad debt increased in the year – although last year we started using the Automated Loan Decision software which considers the applicant's credit history and other risk factors, we have seen the last of the pre ALD loans either repaid or gone into arrears. Bad debt remains a serious concern and the Board and staff continue to look at ways of minimising this.

I would like to close by thanking Mark Rattle, the Credit Union's Finance Officer for all his help and support this year.

Ruth Wailes
Director Treasurer

Lending Report

Loans officers have continued to use the Automated Lending Tool provided by Cornerstone Mutual Services. We are making better decisions on which loan applications to approve and this is based on more detailed information about a loan applicant's recent repayment history.

The loan book shows some encouraging growth this year. Whilst we are meeting our objective of making more larger loans to a broader demographic, three quarters of our loans were Starter loans typically taken by our low-income borrowers.

| Category | Value 2017 | Value 2016 | Number 2017 | Number 2016 | per cent 2017 | per cent 2016 |
|----------------------|-----------------|-----------------|-------------|-------------|---------------|---------------|
| Car/motoring | £173,940 | £152,700 | 121 | 120 | 27% | 27% |
| Home Improvements | £122,320 | £87,885 | 99 | 92 | 19% | 15% |
| Rent Deposit | £32,704 | £32,587 | 31 | 30 | 5% | 6% |
| Rent Arrears | £2,400 | £2,597 | 4 | 2 | 0.4% | 0.4% |
| Furniture/Appliances | £71,700 | £75,490 | 84 | 107 | 11% | 13% |
| Living Expenses | £27,400 | £24,000 | 39 | 39 | 4% | 4% |
| Moving Costs | £9,900 | £14,000 | 9 | 6 | 1.5% | 2% |
| Holidays | £55,950 | £70,550 | 59 | 64 | 9% | 12% |
| Christmas | £39,700 | £29,800 | 56 | 44 | 5% | 6% |
| Debt Consolidation | £71,453 | £36,900 | 32 | 15 | 11% | 6% |
| Greener Homes | £8,404 | £9,700 | 3 | 4 | 1% | 2% |
| Medical Expenses | £2,650 | £2,100 | 3 | 4 | 0.4% | 0.4% |
| Legal fees | Nil | £3,700 | - | 2 | - | 1% |
| Birthday | £500 | £500 | 1 | 1 | 0.1% | 0.1% |
| New Baby | £4,350 | £5,000 | 8 | 8 | 0.7% | 1% |
| Study/Educational | £8,405 | £7,800 | 8 | 9 | 1% | 1% |
| Wedding | £7,050 | £11,300 | 5 | 8 | 1% | 2% |
| Funeral | £10,200 | £2,650 | 7 | 5 | 1.6% | 0% |
| Oil / Fuel | £2,450 | £800 | 6 | 1 | 0.4% | 0% |
| Vet bills | £400 | £1,450 | 2 | 2 | 0.1% | 0% |
| TOTAL | £651,875 | £571,508 | 577 | 563 | | |

Supervisory Committee Report

David Daynes continues to Chair the Committee, Michel Scott performs monthly audit checks and Wioletta Stroz undertakes regular verification of the bank reconciliations as required by the PRA.

Detailed checks have increased during the year since Michel started working at ESLCU. The checks he performs are independent of the management team and follow a programme agreed between Michel and David Daynes.

The areas where Michel performs checks are:

- The granting and processing of loan applications
- The processing of membership applications
- The accounting for and attribution of receipts
- The authorisation of and accounting for payments
- The operation of the Credit Control function
- The operation of the Foreign Exchange business
- The operation of the Prepaid Debit Cards
- The application of the membership fees policy
- Audit checks in respect of money laundering

No issues arose from these checks which the Committee felt required reporting to the members.

Following the resignation of the previous Money Laundering Reporting Manager this function is being undertaken by the management team. An independent MLRO is being sought but this search has not yet been successful. The Board continues to seek a solution to this important issue.

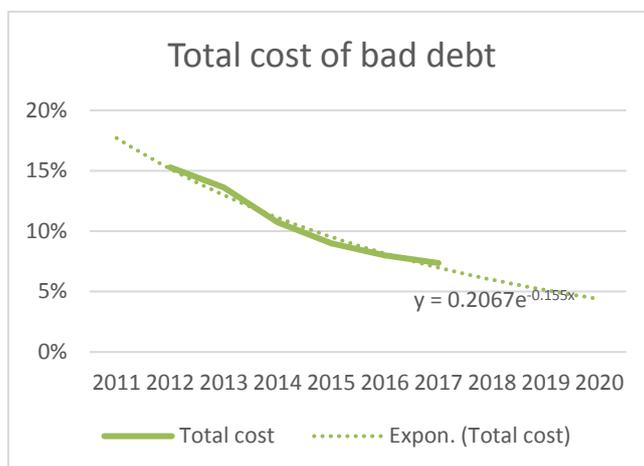
David Daynes continues to discuss the review of policies and procedures with the Board and this work is progressing. There is some work required to tighten a number of controls which it was intended would be covered by the accounting system provided as part of the Credit Union Transformation Project. This system will not now be installed, and work is progressing to review how these control issue will be met in future.

David Daynes
Supervisory Committee

Chief Executive’s Report

We have focussed on growing loan sales with a lower level of bad debt. We have reduced our administrative expenditure and made plans during the year to close the Westgate Street shop.

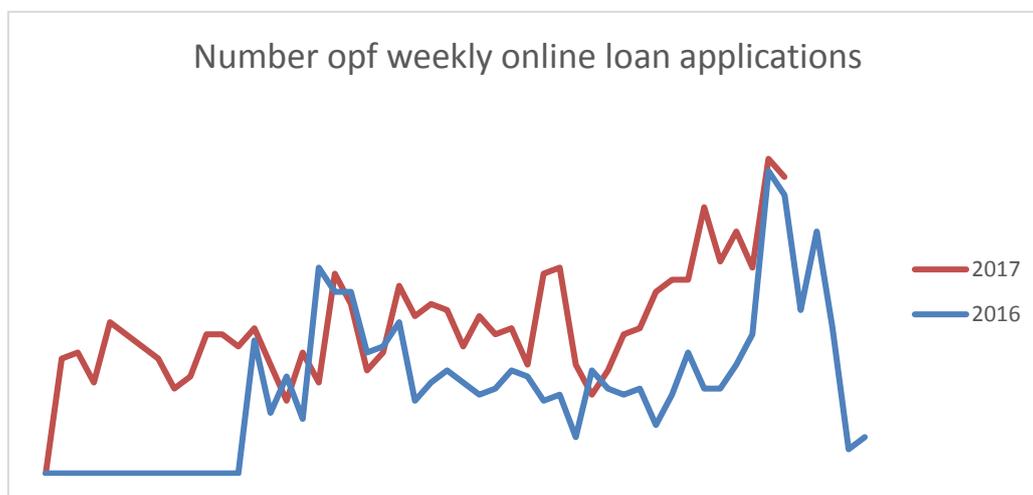
The total cost of bad debt has been falling and further reductions are anticipated.



We decided that we would not be able to afford the cost of adopting the Credit Union Expansion Project transformation model. Subsequently the project has collapsed. We have gained value from this project in our understanding of our business, of digital marketing and of financial services security systems.

We have begun to look at alternative strategies to the CUERP for improving member services and for streamlining the processing of loan applications. We are particularly keen to move to straight-through-processing where the data input by an applicant is transferred to our banking platform with minimal manual intervention. We would like to develop the capacity for members to electronically sign Loan Agreements and to securely upload supporting documents such as bank statements and pay-slips.

We have seen significant growth in applications using our online loan and membership application processes. The proportion of loan applications received online has passed 60% and continues to increase.



We have increased our direct communications with members using email. This has been supplemented with text messages to notify members of events such as the need for them to sign a loan agreement or if they have missed a loan payment.

The PAYG debit card provided through ABCUL has been replaced by a relationship with the Change Account. The account includes a sort-code and account number and members can arrange direct debits and standing orders from their account. A strong feature of this account is the absence of any penalty for a failed direct debit. The account comes with a Mastercard that features retailer discounts. Although there is a monthly account charge, this can be offset by retailer discounts. The account charge generates an income for the credit union.

The credit union team implemented the move to the Change Account in challenging circumstances.



The Co-Op bank withdrew its support for PayPoint cards in September and we have been able to secure a cost-effective replacement for those members who need to make payments at retailers and at Post Offices. The replacement service has been secured in partnership with several Essex credit unions working together.

We have driven cash out of the business where possible as the costs and risks were becoming prohibitive. We have encouraged members to use the prepaid card/accounts we offer and to use an ATM or retailer cashback to access cash.

Lisa Lockwood, Peter Tatam and Sue Orford left the team this year. Sue was our last Norfolk Credit Union employee and we wish her well in her retirement.

Chris Mole
Chief Executive