

Swan Community Bank
Annual General Meeting March 25th 2021

Zoom video conference

Draft Minutes

Introduction and welcome

Steve Eyre (SE), Chair, opened the meeting and welcomed all members to the AGM since the last meeting in July 2020. SE introduced the Board members and the staff:

- Philip Turnbull (PT), Treasurer
- Gary Grant (GB), Operations Director
- Phil Stratton (PS), Technical Director
- Alex Forman-Peck (AFP), Supervisory Committee Chair
- Charlie Robertson (CR), Marketing Director
- Alan Garratt (AG), Secretary
- Bindu Varkey (BV), Deputy Chair
- Rob James (RJ), Deputy Treasurer
- Ken Corsar (KC) and Anne Hanscomb (AH), Operations Managers
- Maria Chatzinikolaki (MC), Loans Officer
- Two Admin staff (Faye and Emma)
- Peter Stratton (PS), who was hosting the ZOOM AGM

Attendance and apologies for absence, and approval of minutes of AGM held on July 23rd 2020

There were no apologies from members and no questions raised regarding the Minutes.

GB proposed to accept and KC seconded to accept the Minutes as a true record of the meeting.

Vote 1 – approval for last year's AGM minutes: 15 Approved, 0 Against, 0 Abstain (this one recorded by show of hands and all subsequent votes recorded by digital poll)

The meeting approved the Minutes for the AGM held on July 23rd 2020.

Directors' Report and Accounts 2019/2020

SE explained that October 2019 was a huge upheaval for Swan with transitioning to a new back office provider, Incuto, which is a financial technology company. The launch of the new platform required huge amounts of work and it has not been a smooth transition. At the same time, Swan moved office to the Milton Keynes Council offices. It was a challenge managing expectations. The Board is thankful that the staff and volunteers have been magnificent and rose to the challenge, putting in long hours to make this work. Incuto provided fixes and patches as and when needed whilst Swan continues operations. October 2019 to March 2020 was a difficult period, which was ensued by COVID in March and all staff, since then, have been working from home. The office move was also cancelled. SE applauded the staff for their dedication and contribution.

During this period, Swan experienced a substantial increase in loan business where loan income was up by a third as well as a substantial increase in membership, contributing to a heavy workload for Staff and added frustration from members at times. Post October 2020, the team continues to work hard and Swan has now reached a stage of more stability, pushing forward for

improvements from Incuto continuously. Swan is getting close to a satisfactory level of service, and SE reminded everyone that it is important to keep perspective that the new system is much better than it was in October 2019, and certainly better than the previous back office provider. Things are looking positive for the future.

PT, the Treasurer, provided an update on financial year 2019 to 2020. PT apologised for not having been able to provide the audited accounts and report due to the auditor's struggles with the Incuto platform in the early months; therefore, the signing-off of accounts has been delayed. PT continued with providing the high level summary of the financial year's performance which is from the auditor's report.

In terms of revenue, interest generated from lending was up by 33% at 131,000. There has been a £25,000 grant received to pay off unrecoverable debts and to boost the capital asset ratio.

In terms of expenses, in this financial year the staff costs were higher due to problems with the platform; however, this is offset by lack of payments to Incuto as the system is still incomplete and not yet functioning to expectation. Fees will start as and when the agreed service level is achieved.

Due to COVID and the impacts with members' loss of jobs and income, and with provision of payment holidays, provisions for bad debts were higher at £28,000 compared to £9,000 in the previous year. This, of course, is offset by the £25,000 donation.

The total expenditure was at £182,000, bringing in a deficit of £8,109 for the year, with a surplus of £6000 from the previous year, which was expected, taking into account the planned transition to Incuto.

The balance sheet at Sept 2020 year end indicated that members shares rose to £1.151 million which is up by 9%; loans to members at £768,000 which is up by 54%; more than £1 million in new loans, provisions for bad debts at £56,000 (after application of £25,000 donation); total net asset at £1.2 million; and a capital:asset ratio at 6.9% (regulatory minimum is 3%)

PT provided a summary of the financial performance from October 2020 to February 2021. Interest income doubled from previous year and net loans sits at £874,000; operational expenditure is up 7%; large increase in provisions for bad debts of #21,000 (which is due to members not being able to pay back); the surplus for the year to date is at £11,600; and the capital ratio is up to 7.4%.

Looking forward, there will be an increase in staff expenditure due to the forthcoming merger, and bad debt provision is expected to increase to £2k per month. Swan expects to break even, although there will be a small loss once Oxfordshire Credit Union figures are added, bringing a projected figure of £11,000 for next year.

SE re-iterated that this has been the most extraordinary financial time for Swan, and from the figures, good progress has been made under these very difficult circumstances.

Vote to approve 2019/2020 Report and Accounts

Voting was held for approval of accounts and the recommendation not to pay dividend to savers as Swan did not make financial surplus in the financial year.

Vote 2 – approval of dividend recommendation: 17 For, 0 Against, 0 Abstain

Update on Operations

Oct 2019 saw the launch of a new member delivery and back office platform, and it was a challenging year operationally. The platform has improved in terms of functionality, and is stable.

Swan allocated over 2200 loans, reviewed many more, collected over 30,000 loan repayments, processed more than 71,000 share deposits, and 22,000 share withdrawals. In the early months, a lot of the work initially was done manually and it is now much more automated. This has given the Operations team more time to support members, which is the purpose of the team. During lockdown, the team has been checking up on members, including those that are vulnerable and elderly, helping members adapt to new loan application process, advising on the financial information needed for these applications, and helping members transition to the new digital system. Additionally, the team is better able to offer support to members on improving their understanding of how to manage their finances better – all of which are central to why Credit Unions exist. Ultimately, resources of CU's belong to the membership, and from an operational perspective it's about being more efficient and effective, and by lending responsibly with clear focus on affordability. This has taken a lot of effort and time, and the education piece is very important for the members.

Other improved use of membership resources include improving process and procedures, improving loan application regarding focus on affordability, improving collections and arrears management procedures, having clear priorities to reduce potential bad debts and improving profitability which allows for investment and dividends.

The team is working remotely and will continue to do this as it's been effective. Swan has recruited a fifth member of team with strong background in finance and lending. There will be continuous improvements with the platform, operational effectiveness and efficiency and service to our members. The Board thanks the Operations team for their hard work and commitment.

Future Plans

SE explained that Swan has changed significantly in the last 2 years. PS and SE were Directors of Aylesbury CU, a small organisation in late 2012/2013. At the time, Aylesbury was handling cash transactions out of a community centre, which was not an ideal way of working. Aylesbury was also struggling financially with a Board which was in denial of its financial situation. The aim at the time was to merge Aylesbury CU with Milton Keynes CU, where PT was a Board member, and Oxfordshire CU. Oxfordshire CU was unable to do so at the time as they were busy merging with another CU on the edge of Oxfordshire. Small CU's will always struggle with managing finances, changes in technology and increased pressures from regulators. SE's vision has always been to develop a business culture for Swan and make it financially stable. SE has kept in contact with OCU and spoke at various times throughout the years. SE met with BV and RJ last year to explore what merger would look like, as all recognised the need to be bigger and develop value for members. We're all aligned in our vision to be a sustainable business.

With a small CU, you need a certain number of people to do essential jobs, Swan has been lucky to have people join that work hard with shared vision and values. If Swan can bring one more CU in, it would solidify viability for the foreseeable future for both Swan and OCU. When Swan launched with the app, there was a massive increase in business, and the Board is convinced that should OCU merge, the same facility will be offered for OCU members which would be hugely beneficial. Both Swan and OCU have been conservative in the merged projection, and are very confident that together, the entity would be a stronger CU.

BV introduced herself and the current OCU Board. The merger of Swan and OCU is a strategic decision which makes a lot of sense. There are currently 6 on their Board, and they use the same supplier as the one Swan used before. There are a number of issues and they recognise the need to partner with someone else and do the right things for the members and carrying on with the same values. In 2020, OCU went through a formal due diligence process in terms of advertising for strategic CU partnerships and interviewing potential partners; speaking to the regulators (PRA) and the trade body (ABCUL) to map out the best route. After speaking to Swan, OCU determined Swan is the best fit. OCU presented to their members and a resolution was agreed in Dec 2020 in a Special General Meeting to go ahead with merger in 2021. BV talked about a common vision to become a stronger CU. OCU has fewer than 1000 members. OCU has a vision there is a great opportunity in the CU sector about creating proper community banking. With Incuto, this gives option to do different things in our community. In the long term, the joined entity could be offering products that are more community focused. Together, this creates a strong entity coming over the next few years.

As there is not a clear provision in our Rules for the Board to decide on the proposed merger, there is a need to have a vote on the Special resolution – that “this meeting of members of the Swan Credit Union hereby agrees to the transfer of the whole of the stock, property and other assets and all engagements of the OCU”.

Vote 3 –17 voted for, 0 against, 0 abstain

Vote to amend our rules to update the Common Bond

To adjust the Common Bond rule in line with the merger. Rule 7 is to be amended as follows:

7. Admission to membership of the Credit Union is restricted to:

- a) An individual who resides in or is employed in the locality of Milton Keynes Council, Buckinghamshire Council and Oxfordshire County Council as shown on the attached maps.
- b) A body corporate, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as an officer or member of an unincorporated association, if the body corporate, partnership or unincorporated association has a place of business in the above locality

[the new additional wording is in red]

- c) **An individual who is employed by the following employers:**
 - i) **South Oxfordshire and the Vale of White Horse District Council**
 - ii) **Oxford University Hospitals Trust**
 - iii) **Oxford Bus Company**
 - iv) **South Oxfordshire Housing Association**
- d) **An individual who is otherwise associated with other individuals through being a tenant of the above Housing Associations.**

- e) An individual who is a member of the same household as, and is a relative of, an individual who is a member of the credit union and falls directly within a common bond specified above.

Rule 47: (Old Rule)

No Member shall have, or claim an interest in, Non-Deferred Shares of the Credit Union, exceeding £10,000 or 1.5 per cent (or such other sum as may be permitted by the Relevant Authority), of the total Non-Deferred Shareholdings in the Credit Union, whichever is the greater figure.

New Rule:

No Member shall have, or claim an interest in, Non-Deferred Shares of the Credit Union, exceeding the maximum as may be prescribed by law or rules established by the Relevant Authority, or 1.5 per cent (or such other sum as may be permitted by the Relevant Authority), of the total Non-Deferred Shareholdings in the Credit Union, whichever is the greater figure.

[these two changes were voted through together]

Vote 4 – 16 voted for, 0 Against, 0 Abstain

Vote to approve the Transfer of Engagements from Oxfordshire Credit Union to Swan Credit Union,

Vote 5 – 16 voted for, 0 Against, 0 Abstain

Upcoming Developments

The biggest development is the integration of data between OCU and Swan. The process has been defined and timing is to be determined and is contingent on getting the core OCU data, test them, that they will merge cleanly and fully integrated. Final timings are to be confirmed, although it is likely to be June/July. All existing functionalities will be made available, and it is meant to be a clean transition. In the interim, there is a mobile update in the next few weeks and other updates in the new year including members website. The changes will be rolled out in a stepwise fashion.

Supervisory Committee Report

AFP provided a brief report on the findings on the last financial year. Work performed during the year included looking at the regulatory returns to the PRA to make sure the financials are as accurate as can be, working on the collection of dormancy fees on members' accounts, and conducting due diligence on OCU and the plan to merge.

Looking forward, the Supervisory Committee will continue to monitor the integrity of financial returns and management information, and to look at future financial combined projections. The integration plan between the two CUs for success, and bad debt provisions will both be priorities. The Board thanked AFP for his support with this and grateful for his oversight.

Vote to confirm appointment of Auditors

Due to struggles with the account system this year, the audit has been delayed. The same auditor also carries out audits on the OCU account. The Board recommended for VWH accountancy Limited to continue to be the appointed auditor for current financial year.

Vote 6 – 15 for, 0 Against, 1 Abstain

Vote to confirm election of Officers

The following members continue as part of their three-year term, with their year of election shown in brackets: Charlie Robertson (2019), Gary Brant (2020), Phil Stratton (2020); Philip Turnbull (2020); Alan Garratt (2020) and Brian Emmanuel [2020]

The Board wishes to nominate the following members for re-election to another three-year term: Steve Eyre (2018)

Vote 7 - 17 for, 0 Against, 0 Abstain

The Board, having co-opted them during the current year, wishes to nominate for election Bindu Varkey (BV), Currently Chair of OCU and Rob James (RJ), currently Treasurer of OCU. Both BV and RJ introduced themselves in the meeting.

BV has been the Chair of OCU for 2 years. Her career started in Financial Services, has a law degree and compliance background, worked at Capital One, Nationwide, and as an independent financial advisor. BV is currently the director of two innovation companies working with local authority in health, energy and transport. BV is also the non-executive of Oxford Local Enterprise Partnership. She has lived in Oxfordshire for 12 years and is excited to join the Swan Board.

RJ is a qualified accountant and has 30 years in various financial institutions, and for the last 14 years, was the Chief Operations Officer of a multinational firm in London. He retired in 2015 and has always had an interest in CU's. He started volunteering at London-based CU. In 2018, RJ became the Treasurer at OCU, and wants to use his background and knowledge to help with the merger process, and as a combined entity, would like to play a role in this.

Vote to elect Bindu Varkey and Rob James to the Board:

[these two were voted through together]

Vote 8 – 17 for, 0 Against, 0 Abstain

Supervisory Committee

Alex Foreman-Peck (2018) has kindly agreed to stay in his role for a further term.

Close of meeting

SE thanked everyone for joining the meeting and wished everyone to stay safe and well.

Members present

Peter Hughes

Maimura Jallow

Diane Eyre

Emma Gatehouse

Ken Corsar

Maria Chatzinikolaki

Anne Hanscomb

Steve Eyre

Gary Brant

Philip Turnbull

Phil Stratton

Charles Robertson

Winnie Wu

Alex Forman-Peck

Brian Emmanuel

Alan Garratt

Bindu Varkey

Robert James

Peter Stratton