

Annual Report for 2019

Annual General Meeting
6pm Wednesday 10th June 2020
Video Conference



1 Agenda

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WE ARE VERY GREATFUL FOR THE SUPPORT OF A NUMBER OF LOCAL ORGANISATIONS:

NOTTINGHAM CITY COUNCIL, NOTTINGHAM CITY TRANSPORT, NOTTINGHAMSHIRE COUNTY COUNCIL, ASHFIELD DISTRICT COUNCIL, BROXTOWE BOROUGH COUNCIL, GEDLING BOROUGH COUNCIL, MANSFIELD DISTRICT COUNCIL, NEWARK AND SHERWOOD DISTRICT COUNCIL, RUSHCLIFFE BOROUGH COUNCIL, NOTTINGHAM COMMUNITY HOUSING ASSOCIATION, NOTTINGHAM CITY HOMES, DIOCESE OF SOUTHWELL AND NOTTINGHAM, SCAPE GROUP, NOTTINGHAM ENERGY PARTNERSHIP, BOOTS UK, UNIVERSITY OF NOTTINGHAM, NOTTINGHAM FINANCIAL RESLIANCE PARTNERSHIP, TUNTUM HOUSING, ARC, BRIDGES COMMUNITY TRUST, LILY & CO, ST ANNS DEBT ADVICE

2 Minutes of the 2019 Annual General Meeting

Liz Blackman (Chair) welcomed everyone to the meeting. Apologies were received from Peter Cowley and James Ferguson.

Present: Liz Blackman, Paddy Emmerson, Clive Rix, Moby Farrands, Sam Webster, Fraser McNish, Chris Ball, Rachel Duffey, Jason Eaves, Kris Whitsed, Marie Haywood, Adam Doy, Rachel Edwards, Clare Nicholls, Debbie Thompson, Sarah Ferguson, Catherine Bush, Sarah Crofts, Les Michalak, Les Smith, Ann Jackson, Hon. Alderman Barrie Jackson, Ingrid Roberts-Davies, Charles Tuzolana, Colin Greatorex, Agnes Brown, Bukola Olademde, Sonia Omoregie, Henry Robson

The Minutes of the 2018 AGM were approved.

1. Chair's Report

The Chair gave her report:

- Ella Ferris left in July and Jason Eaves was appointed as General Manager
- Other staff also left or retired and new employees hired including a new Loans Officer and a new Credit Control Officer
- Staff continued to receive monthly training
- The website was made more accessible
- Processes and procedures were strengthened
- There was a record Christmas Loan Book
- All Board Policies were updated and a mechanism for reviewing and monitoring was put in place.
- The Board membership remained stable
- Directors received ABCUL training on Governance (a rolling programme)
- Directors and staff attended the quarterly East Midland Credit Union Forums
- As a movement we continued to exchange knowledge with local Credit Unions and give each other support

There were no questions

2. Treasurer's Report

The Treasurer gave his report:

- Total assets ended the year at £3.71 million – a 15.7% increase on 2017. In October, assets had almost reached £4 million, a new record
- The net Loan Book ended the year at £2.31 million – up 25.6% over the year
- Members deposits increased by 15.5% to £3.41million
- Mansfield Branch continued to be the area of greatest growth
- We were awarded a £40,000 grant by Lloyds Banking Group which was used to bolster our CAR. Maintaining our current CAR above our regulatory minimum (currently 5%) is a major challenge as we continue to grow rapidly.

- NCU made a surplus after tax of £3,745. This was an impressive achievement, given that operating grants fell by nearly £12,500, and was achieved mainly by reducing levels of bad debt. 2019 will see yet another substantial fall in grant funding and by 2020 we will have no significant grants

The Treasurer proposed that the Annual Report and Accounts be approved, and this was agreed unanimously.

The Treasurer said that the pressure on capital, the continued reduction in grant funding and the tight operating margins meant that there was no scope to increase the dividend, and the Board proposed that it should remain at 0.1% on all dividend earning shares and junior savings.

The motion was approved unanimously.

The Treasurer added that the interest rate on our Regular Savings ISA would remain at 1.5%.

The Treasurer then gave a brief summary of the prospects for 2019, which he said were very encouraging despite the loss of grant funding. Growth remains strong and costs are under firm control, though bad debt remains a concern. However, at this stage he did not see any prospect of an increase in the dividend.

The Treasurer reported that towards the end of 2017, Audit & Risk Committee carried out a tender exercise for the appointment of auditors for a three-year period, subject to members' approval. The successful candidates were once again PWH, and so the Board proposed the appointment of PWH Accountancy Ltd as our auditors for 2019.

The proposal was unanimously agreed.

3. Audit and Risk Committee Report

The Vice Chair and Chair of the Audit and Risk Committee presented his report:

- All Policies were reviewed and revised and located in one Policy manual
- Monitoring procedures were set up
- RSM Accounting reviewed HR Procedures and will next review underwriting and credit control
- The Risk Register continued to be reviewed and amended

There were no questions.

4. Money Laundering Reporting Officer report.

The Chair gave a report on Money laundering:

- A Money Laundering Officer had been appointed
- Staff, the Board and the MLRO received training to ensure full compliance with regulations and this will become an annual activity
- Suspicious activity was reported to the MLRO who, where necessary, passed it on to the Serious Organised Crime Agency.

There were no questions.

Attendance of Officers

The Chair drew the attention of the meeting to the table showing the Attendance of Directors at Board Meetings. She said that, while Peter Cowley's Board attendance had been below the target minimum, there had been particular reasons for this over the summer and attendance was now back to normal. He had also put work into improving the relationship with our payroll members.

5. Motions to the AGM

The Chair reported that no motions had been proposed for this meeting.

6. Election of Officers

The Chair reported that Moby Farrands and Cllr. Sam Webster had reached the end of their three-year terms, and that both were standing for re-election. In addition, nominations had been received from Rachel Duffey (CEO PayPlan) and Chris Ball (Consultant). She said that these two nominations would replace Paul Worsnop and Philipp Elliot, both of whom had resigned in 2018. These appointments would bring the Board strength back up to 9. She proposed that all four nominees be elected.

The motion was passed unanimously.

7. Questions from the Floor

The Chair invited questions from members.

Les Michalak asked if we had bid for the Savings Gateway. The Treasurer said he was not sure which of many Government initiatives was intended but said that ABCUL maintained a watching brief on all such proposals and NCU bid for any that would benefit the credit union. He cited, as an example, the recent decision to bid for the proposed prize-based savings scheme, as a way of widening membership.

Les asked what assessments had been carried out of the likely impact of the introduction of full-scale Universal Credit. The Manager said that we were vigilant on this matter and looked at the experience of credit unions who were further advanced in this regard than we were. The expectation was of increased bad debt, and this was factored into our planning.

Les asked about MARS Loans. The Treasurer explained that these were loans made to prospective tenants to act as a deposit. The loans were made using Local Authority capital and the Local Authority was responsible for any bad debt, so they did not represent a risk to the credit union.

Les asked what score the credit union had achieved on the ABCUL Code of Governance this year. The Treasurer said that the Code was now out of date, so the decision had been made to incorporate all the aspects that were still relevant into its Policy Manual, which was reviewed annually. We were broadly compliant and had a timetable to remedy those areas where we were not.

Ingrid Roberts-Davies asked if there were any plans to reopen an outlet in Bulwell. The Manager responded that a full-scale outlet similar to the one formerly operating

in Bulwell was too expensive and could not be justified in terms of the additional revenue it would bring. However, there were plans to run a volunteer led 'pop-up' shop at the Riverside in Bulwell for one day a week. Ingrid said she was very pleased with this development and offered to identify suitable volunteers in Bulwell. There being no further questions, the Chair declared the meeting closed.

3 Chair's Report

2019 saw Nottingham Credit Union make sound and sustained progress with very little grant funding.

The organisation's resilience, sustainability and profile has improved and the Board receive detailed and comprehensive Management Information to support its governance role and decision making.

Staff worked incredibly hard to achieve this outcome as did our volunteers, whom we could not do without.

Training was ongoing throughout the year and included Anti Money Laundering, loans underwriting and credit control. Rachel Edwards graduated at the ABCUL conference having passed the Futures Programme with flying colours. At the same conference Jason Eaves, our CEO presented a workshop on lending.

Both our Community and Payroll membership increased with a good balance in numbers between the two. They have access to a range of products including affordable loans. The aim is to grow the loan book and improve its quality without making it harder for our core community members with poorer credit scores to obtain new loans.

The launch of a Family Loan aimed at Child Benefit recipients proved popular and we were accepted by HM Treasury to be part of their Prize-Linked Savings pilot which has also had a good uptake. Members can win a cash prize of up to £5,000 every month with a PrizeSaver account

Members have become far less dependent on cash as more of them are making use of the mobile app.

In partnership with Nottingham City Council, we have offered to run a savings scheme for 600 Children in Care and provide accounts for unaccompanied asylum seekers. With Nottingham Together we offer loans for rent deposits

Over the year we invested in better IT. Loan processes have become more automated which is already delivering Improved efficiencies and a reduced end to end process time. We are able to turnaround loan applications more quickly.

To make our IT more secure and reduce the risk of losing data we invested in a second server which is located at Mansfield and updates data on an hourly basis.

The Board was strengthened earlier on in the year when Chris Ball and Rachel Duffey joined as Directors. Chris has extensive experience of Collections and Recoveries, Debt Management, Financial Difficulty and Vulnerability and Operations Management. Rachel is CEO of PayPlan, a free to consumer, debt management company providing ethical solutions. At this AGM we are seeking to add further Director expertise.

We are also very fortunate to have the Chief Operating Officer of the Financial Compensation Scheme, Jimmy Barber who lives in Nottingham, as a special advisor to the Board.

Fraser McNish, who served on the Board for 3 years, left at the end of December due to work pressures. He was extremely supportive and brought not only business skills to decision making but also significant IT expertise (which he still advises on).

Two Directors had ABCUL training on Governance. (This is done on a rolling programme).

During the year we held two successful Strategy Days to plan how Nottingham Credit Union would grow and develop going forward.

Directors and staff attended regular meetings of the East Midlands Credit Union Forum to keep abreast of latest developments and share knowledge

Finally I should like to pay tribute to our many partners who continue to give their invaluable support and advice. (See list).

Going forward, this year's Covid-19 Pandemic is proving a challenge to all credit unions.

NCU has followed government advice in tackling the spread of the virus and continues to balance the well-being of members, staff and volunteers, while achieving minimal disruption to service. Our Mansfield office has been closed for an extended period and is scheduled to re-open in the near future. Nottingham office is open 3 days per week with some staff working from home and some furloughed. We are helping more members with loan forbearance, and whilst this is the right thing to do, it will have an impact on the financial performance of the Credit Union. This is covered in the Treasurer's report.

We were planning on increasing staff salaries so that the minimum we pay was the "living wage" however with the onset of Covid 19 we have not committed to any salary increases and will review again later in the year.

We are working hard to ensure we make a strong recovery.

Liz Blackman, Chair

4 Treasurer's Report 2019

Our credit union continues to grow steadily towards financial sustainability without grant funding. In 2019, grants constituted only 2.1% of our total income compared with 10.2% in 2018, and some of that was to offset historic one-off costs. Grants were only needed in January and February, and for the remainder of the year grants were not needed. As we also made surpluses in January and February 2020, we achieved a full twelve months operations without needing grants.

The year saw further significant growth in assets, deposits and loans. Our total assets were up 13.8% at £4.2 million, in line with a 15.7% increase in 2018 and 15.5% increase in 2017. The net loan book grew even faster – ending the year at £2.8 million, up 19.6% over the year. Member deposits increased by 14.8%, to £3.9 million.

We need to grow like this to generate more income while increasing costs more slowly, thus increasing the annual surplus. This is what happened in 2019: interest from the loans we make, our main source of income, increased by 27.3% to £480,000. This was partly offset by the reduction in grant funding from £45,000 to £10,500 but the net effect was still an increase in income of 13.3% and income exceeded £½ million pounds for the first time. At the same time, operating costs fell slightly. However, impairment costs (loans written off and provisions for bad debts) increased sharply, from £95,000 to £160,000, as we were hit by a wave of Bankruptcies, Individual Voluntary Agreements, Debt Relief Orders and Debt Management Plans. The net effect was that total costs increased by 13.3%, so the surplus for the year only increased from £3,745 to £4,583.

We are required by our regulators to hold minimum levels of capital to ensure that our members and our credit union are protected against a rainy day. The measure of this is that, at our current size, our Capital to Assets Ratio (CAR) should be at least 5%; so very strong growth means we have to make substantial surpluses in order to increase capital. We are not yet at this stage, so our CAR fell from 6.5% to 5.7%. Our CAR requirement will place a significant restraint on our ability to grow, pay dividends and invest in the business for some time. The other key requirement is that we hold sufficient liquid assets (assets that can be turned into cash in 8 days) to meet demand from members to withdraw their savings. The requirement is a minimum of 10% liquid assets at all times. We have plenty of cash (our liquidity ratio is 35.9%, down from 39.1%) so this is not an issue for us. Our problem is the opposite one – that we need to get more money out on loan to our members.

Active adult membership increased from 7,190 to 8,222. Total membership at the year-end was 9,660, which included 753 dormant adult accounts, 654 junior savings accounts and 31 corporate members.

Outlook for 2020

The world looks very different now from what we had expected on 1st January. We expected another year of 15% growth to result in a large enough surplus to maintain our CAR, to achieve a long-held ambition to pay the Real Living Wage and to invest in future growth. Instead, we have covid-19 bringing with it reduced lending, and hence reduced loan interest income, and a very large increase in arrears, leading to higher impairment costs. We have minimised the risk for our staff and members by introducing stricter hygiene, reducing hours in Nottingham, and temporarily closing

our Mansfield branch and encouraging members to contact us by telephone or online. We have sought to mitigate the financial impact by not implementing the salary increases planned for April and have furloughed some staff. We have also been successful in bidding for a grant of £65,000 from the Fair4All Finance Covid-19 Resilience Fund, which will help us through this difficult time, but as things stand, we have no guarantee that, even with the grant, we will make a surplus in 2020. The proposed merger with Lincolnshire Credit Union (later in these papers) will enable us to weather the storm in better shape.

2019 Dividend

The surplus was similar to that in 2018 and 2017, so your Board feels it would not be prudent to increase the recommended dividend and we propose to maintain the 0.1% we paid last year.

The Board discussed at great length whether we should pay a dividend at all this year but the dividend is for last year and to use covid-19 as a reason for not paying it is not appropriate. Further, paying the dividend puts money into the pockets of our members, who include people who need it badly. The reasons given by some PLCs do not apply to us: the regulators have put pressure on banks not to pay dividends so they have more money to lend but our liquidity is too high and currently increasing; and some companies are suspending dividends so they do not run out of cash or go bust, but there is little danger of that happening to us.

I should make clear, however, that we cannot guarantee at this stage that we will be in a position to pay a dividend for 2020. We have already decided to reduce the interest rate on our Regular Savings ISA from 1.5% to 0.1%.

Subject to members agreement, we will pay the dividend for 2019 on ordinary shares immediately on all eligible deposits other than Christmas Savings. We will pay the same amount on Christmas Savings accounts as an interim dividend on 1st November 2020.

Approval of accounts

We are pleased to report that, once again, our auditors, PWH Accountancy Ltd have given us a clean bill of health. A summary of the key points from our accounts follows on the next two pages. Full accounts are available on our website and a hard copy is available to all members on request. The Board proposes the acceptance of the Annual Accounts

Appointment of Auditor

Towards the end of 2017, Audit & Risk Committee carried out a tender exercise for the appointment of auditors for a three-year period, subject to members' approval. The successful candidates were once again PWH, and so the Board proposes the appointment of PWH Accountancy Ltd as our auditors for 2020. We will seek to re-tender for 2021, to ensure that we continue to get the best possible value for money.

Clive Rix, Treasurer

5 Summary Annual Accounts 2019

| <u>Summary Balance Sheet</u> | 2019 | 2018 |
|---|------------------|------------------|
| | £ | £ |
| Assets | | |
| Tangible Fixed Assets | 8,923 | 11,923 |
| Cash and cash equivalents | 1,404,671 | 1,335,447 |
| Loans to members | 3,332,678 | 2,924,552 |
| Less impaired loans | -569,083 | -613,718 |
| Other assets | 48,171 | 53,767 |
| Total assets | 4,225,360 | 3,711,970 |
| Liabilities | | |
| Total liabilities | 68,451 | 59,495 |
| Net assets | 4,156,909 | 3,652,475 |
| Subscribed capital | | |
| Ordinary members shares | 3,650,945 | 3,162,706 |
| Corporate members shares | 95,529 | 96,922 |
| Junior members shares | 98,060 | 108,279 |
| ISA Accounts | 67,947 | 41,464 |
| Dividends proposed | 3,421 | 2,942 |
| Total subscribed capital | 3,915,902 | 3,412,314 |
| Retained Earnings | | |
| Reserves | 186,006 | 185,162 |
| Deferred Shares | 55,000 | 55,000 |
| Total retained earnings | 241,006 | 240,162 |
| Total subscribed capital and retained earnings | 4,156,908 | 3,652,475 |

| <u>Summary Income and Expenditure</u> | | |
|---|----------------|----------------|
| | 2019 | 2018 |
| | £ | £ |
| Income | | |
| Net interest income | 476,147 | 374,168 |
| Net fees and commission receivable | -20,858 | -5,367 |
| Grant Income | 10,511 | 45,016 |
| Other income | 37,030 | 29,055 |
| Total income | 502,830 | 442,872 |
| | | |
| Expenditure | | |
| Salaries and wages (including volunteer cost) | 212,364 | 218,771 |
| Administration cost | 102,203 | 99,889 |
| Depreciation and amortisation | 3,000 | 2500 |
| Other operating expenses | 19,420 | 21,996 |
| Impairment Cost | 159,370 | 94,978 |
| Total Expenditure | 496,357 | 438,134 |
| | | |
| Surplus for the year before taxation | 6,473 | 4,738 |
| Taxation | 1,889 | 993 |
| Surplus for the year after taxation | 4,583 | 3,745 |

6 Audit & Risk Committee Report

The Audit and Risk committee meets every 2 months.

As reported at last year's AGM the Policies and Procedures have been reviewed and consolidated into one Policy Manual.

These policies are monitored at various intervals during the year by the Board

- Compliance, Lending to Members and Finance Control are monitored monthly
- Membership quarterly
- All others annually

This monitoring regime has been in force since January and confirms that we have been compliant with the relevant policies.

The Risk Register is reviewed at every 2nd meeting and changes made, where appropriate, to the type of risk/ impact of a particular event. We have recently added a risk arising from the pandemic, which, along with many other organisations, we had not foreseen.

We are in the process of updating our Business Continuity Plan.

The existing plan had also not considered the impact of a pandemic, and revised working practices had to be set up at short notice with the resources we had. Our thanks need to go to the team for quickly and effectively setting these up, enabling NCU to continue to operate. We have since purchased lap tops and reviewed our systems to improve our ability to allow staff to work out of the office.

RSM our Internal auditors completed the Underwriting review in October 19 with their next review (Arrears Management) delayed due to the Covid19 pandemic.

As the Credit Union increases in size (both assets and membership) it is appropriate for us to review our approach to Internal Control and Internal Audit, ensuring that the time/money is spent in the right areas.

Paddy Emmerson, Chair of Audit & Risk

7 Money Laundering Reporting Officer Report

As a financial organisation, we have a legal obligation to ensure we have appropriate measures and plans in place to identify potential money laundering and ensure this is reported to the appropriate authorities.

This includes identifying where any transactions may be linked to the proceeds of crime or are fraudulent.

A number of activities are undertaken on a regular basis to help identify possible money laundering and staff receive regular updates/training.

During the year a number of reports of suspicious activity have been made to the National Crime Agency and the Credit Union has assisted local law enforcement with a number of criminal investigations.

Money Laundering Reporting Officer

8 Attendance of Officers

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | |
|-------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|
| Liz Blackman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| Paddy Emmerson | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X | ✓ | ✓ | 92% |
| Clive Rix | X | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 92% |
| Moby Farrands | ✓ | X | ✓ | ✓ | ✓ | ✓ | ✓ | X | ✓ | ✓ | ✓ | ✓ | 83% |
| Peter Cowley | ✓ | ✓ | ✓ | X | ✓ | ✓ | X | ✓ | X | X | ✓ | X | 58% |
| Cllr Sam Webster | ✓ | X | X | X | ✓ | X | ✓ | ✓ | X | ✓ | X | ✓ | 50% |
| Fraser McNish (1) | X | X | X | X | X | ✓ | X | X | ✓ | X | ✓ | X | 25% |
| Rachel Duffy (2) | - | - | ✓ | ✓ | X | ✓ | ✓ | ✓ | X | X | ✓ | ✓ | 70% |
| Chris Ball (2) | - | - | ✓ | ✓ | ✓ | X | ✓ | X | ✓ | ✓ | ✓ | X | 70% |

(1) Fraser resigned Dec 2019

(2) Rachel and Chris were elected May 2019

9 Motions to the AGM

The Board is proposing three motions to the members this year.

The first is a change to the rules to allow us to cease charging a membership fee. The second and third relate to the proposed merger with Lincolnshire Credit Union (LCU).

1 Removing the Membership Fee

Rationale

Our credit union is a membership organisation and the Board has long held to the view that there should be a membership fee if people want to take advantage of the benefits. However, it has become increasingly clear that this is a hindrance to future growth. Loan applicants (and most of our potential new members are applying for a loan) do not see why they should pay a fee for this. Attempts to explain the benefits of membership complicate the process and most potential applicants are not interested. Many drop out at this stage of the application. If we are to compete effectively with other lenders, we cannot afford to put barriers in the way of new members.

Our current rule is ambiguous in this respect. It requires us to charge a fee sufficient to cover the administration costs of joining, which implies that it cannot be zero, although it is “specified by the Board of Directors from time to time and agreed by the Members at the annual general meeting”.

For the avoidance of doubt, we would like to remove the requirement all together.

To be clear, the Board is not proposing any changes to the ethical and social aims of our credit union and we still want members who share this vision but we believe that the appropriate time to do this is after people who want a loan from us have joined, not before.

Proposed Rule Change (two thirds majority required)

| Proposal | Current Rule | Proposed Rule |
|--|--|--|
| To change Rule 17, allow the Board to waive the membership and annual fees, in order to promote greater growth of the credit union | An applicant for membership of the Credit Union may be admitted to membership only when: <ol style="list-style-type: none"> They fall within the common bond and as a result qualify for admission to membership; They have provided sufficient evidence to prove their identity (and proof of incorporation if a corporate body) and address, as required to comply with all relevant laws and Regulations established in respect of money laundering prevention; | An applicant for membership of the Credit Union may be admitted to membership only when: <ol style="list-style-type: none"> They fall within the common bond and as a result qualify for admission to membership; They have provided sufficient evidence to prove their identity (and proof of incorporation if a corporate body) and address, as required to comply with all relevant laws and Regulations established in respect of money laundering prevention; |

| | | |
|--|--|---|
| | <ul style="list-style-type: none"> c. They have paid any entrance fee of an amount not to exceed £5 or any such reasonable amount sufficient to cover the administration costs of joining specified by the Board of Directors from time to time and agreed by the Members at the annual general meeting; d. They have agreed to pay any annual administration fee of an amount not to exceed £5 or any such reasonable amount sufficient to cover the administration costs of membership specified by the Board of Directors from time to time and agreed by the Members at the annual general meeting; and e. They hold and have paid for at least a £1 Non-Deferred Share in the Credit Union | <ul style="list-style-type: none"> c. They hold and have paid for at least a £1 Non-Deferred Share in the Credit Union |
|--|--|---|

2 Change the Common Bond to Include Lincolnshire

Rationale

We were approached about a transfer of engagements (the formal term for a merger of credit unions) from LCU last September. They had thought they were doing reasonably well but they then had a torrid time during last summer when serious accounting errors were discovered. In previous years, to help members struggling to repay loans, actions taken were not recorded by the accounts system to show the true potential losses from bad debts. When these mistakes were rectified, LCU's financial position was much weaker than previously thought. They made a very substantial loss in 2018/19 and were not meeting minimum capital requirements. The CEO, some of the other staff and most of the directors left because of the difficult financial situation. The remaining directors could see no long-term future for LCU as an independent entity and, in effect, asked us to take them over so that credit union services could continue in the County.

Since then, we and other local credit unions have been supporting them in order to prevent an immediate failure. Detailed analysis of their loan book showed that the position was not, in fact, as bad as feared. The current position is that LCU is meeting its regulatory targets and operating at around break even or at a small loss. However, without a permanent CEO, with insufficient staff to grow the credit union and a Board that is struggling to cope, LCU cannot grow fast enough to become sustainable in the longer term. This is the view, not just of the LCU Board and ourselves but also of the relevant regulator, the Prudential Regulation Authority.

There is little doubt that if we do not take them over, LCU will cease to exist within the next twelve months.

The Board believes that accepting the transfer is the right thing to do for the future of Nottingham Credit Union. It will give us an immediate increase of: 2,000 members; assets of £1.8 million; and a loan book (net) of £¾ million. We do not need the additional staff that LCU would need as a standalone credit union and can manage perfectly adequately with the current staff. There would be immediate cost savings from eliminating duplicated shared costs and there would be a near doubling of our common bond, and more than doubling our potential growth rate, as Lincolnshire has been significantly underserved for affordable credit. Hence, the merger would improve our performance more or less immediately by increasing profitability and enabling faster growth. It would help us to achieve greater sustainability by increasing staff resources and more effective deployment over the medium term, enabling us to improve capital ratios and IT resilience more quickly. It would enable us to compete more effectively in the market place by giving us the resources to improve marketing and promotion.

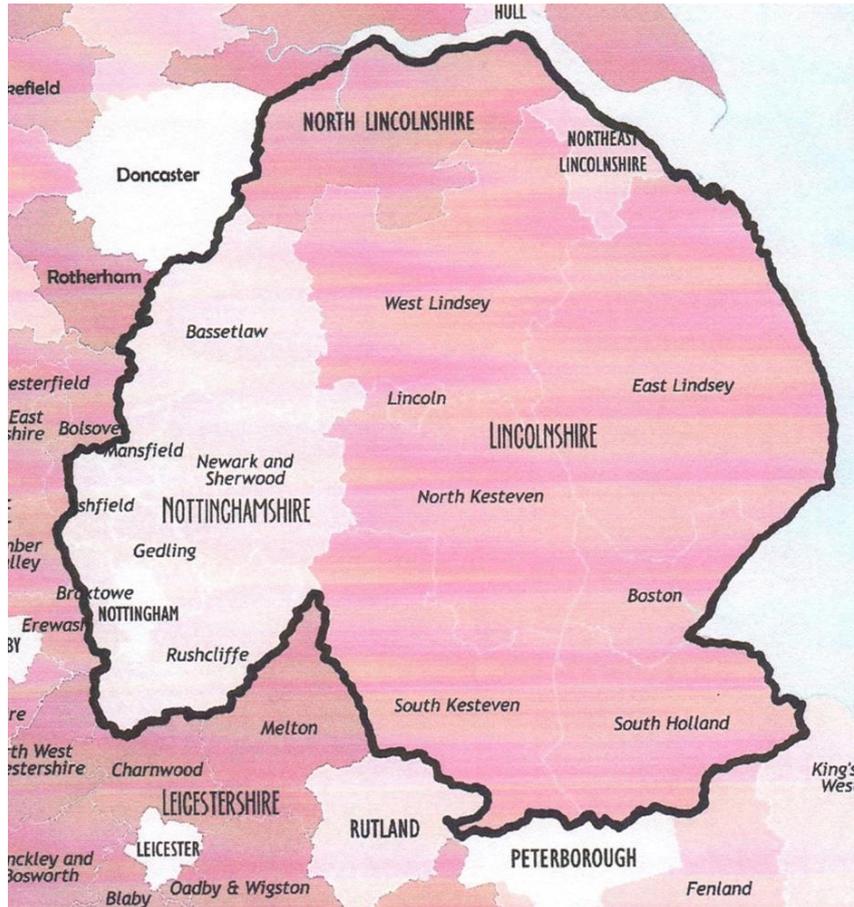
There would also be benefits for our current members in Nottingham and Nottinghamshire, as the merger would increase member value in terms of better customer service and, in the longer term, more attractive products (lower loan interest rates, higher dividends) or more diverse products as a result of greater financial strength.

Given the historic problems at LCU, we have carried out very detailed due diligence. We understand the risks associated with the loan book and believe they are no worse than our own, with some potential opportunities for short term gains. We are confident there are no hidden skeletons and, while no merger can be free of risk, the risks of a merger would seem to be rather less than the risks we would face if we were not to merge.

Proposed Rule Change (two thirds majority required)

| Proposal | Current Rule | Proposed Rule |
|---|--|--|
| To extend the common bond to enable a merger with Lincolnshire Credit Union | 7. Admission to membership of the Credit Union is restricted to: a) an individual residing in or being employed in the locality of the City of Nottingham or the County of Nottinghamshire as delineated in red on the attached map 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 a member of the governing body of an unincorporated | 7. Admission to membership of the Credit Union is restricted to: a) an individual residing in or being employed in the locality of the Ceremonial Counties County of Nottinghamshire and Lincolnshire as delineated in red on the attached map 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 a member of the governing body of an |

| | | |
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| | <p>association, if the body corporate, partnership or unincorporated association:</p> <ul style="list-style-type: none"> i. has a place of business in the above locality <p>c) an individual employed by the following employers:</p> <ul style="list-style-type: none"> i. Nottingham Community Housing Association ii. Places for People Group iii. Boots UK Limited <p>d) An individual otherwise associated with the employers in c) i) & ii) be being in receipt of housing and tenancy services from those employers</p> <p>e) 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 a member of the governing body of an unincorporated association, if the body corporate, partnership or unincorporated association:</p> <ul style="list-style-type: none"> i. is one of the above employers <p>f) 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</p> | <p>unincorporated association, if the body corporate, partnership or unincorporated association:</p> <ul style="list-style-type: none"> has a place of business in the above locality <p>c) an individual employed by the following employers:</p> <ul style="list-style-type: none"> Nottingham Community Housing Association Places for People Group Acis Group Boston Mayflower Ltd Longhurst Group New Linx Housing Trust Boots UK Limited <p>d) An individual otherwise associated with the employers in c) i) to vi) by being in receipt of housing and tenancy services from those employers</p> <p>e) 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 a member of the governing body of an unincorporated association, if the body corporate, partnership or unincorporated association:</p> <ul style="list-style-type: none"> is one of the above employers <p>f) 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</p> |
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3 Accept a transfer of Engagements from Lincolnshire Credit Union

This motion is the logical extension of the previous one – that we accept the transfer of engagements. The motion is expressed in rather formal language but the effect is the same.

Motion

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| <p>Proposal</p> | <p>To accept a Transfer of Engagements from Lincolnshire Credit Union:</p> <p>“That this meeting of members of the Nottingham Credit Union hereby resolves to issue to each member of the Lincolnshire Credit Union paid up shares equal to the amount standing to the credit of each member in the share ledgers of the Lincolnshire Credit Union and debiting each member of the Lincolnshire Credit Union with the like amounts of loans as are debited to each member in the books of Lincolnshire Credit Union, in consideration for receiving the whole of the stock, property and other assets and all engagements of the Lincolnshire Credit Union on the date when the transfer of engagements becomes effective.”</p> |
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10 Election of Officers

The following directors have completed their term of office, and both are standing for re-election for a term of three years.

- Liz Blackman
- Paddy Emerson

In addition, a nomination has been received from the following candidate:

- Nigel Winkett

Liz Blackman

Liz has been on the Board for 9 years and its Chair for the last 6. For a long time, she was a teacher and Deputy Leader of Broxtowe Borough Council before going on to become a Member of Parliament. These posts she held made her very aware of the damaging impact low income can have on families and communities and committed to providing opportunities for people to improve their financial circumstances. She believes Credit Unions are essential in offering a fair and ethical alternative to high cost credit providers and a way of helping people build up their financial resilience and move out of debt.

Paddy Emmerson

Paddy has been a Board member for over 5 years and its Vice-Chair and Chair of the Audit and Risk committee for the last couple of years. He trained as a chartered accountant and has a strong business management background working in many disciplines including strategy, finance, HR, customer service and sales.

Currently he also works as a volunteer assessor for the Citizens Advice Bureau, and as the Financial Director and Trustee of the Nottingham Narrow Boat Project Ltd, a charity, which he co-founded and which offers outdoor experiences to a range of young people and the elderly.

Nigel Winkett

Nigel has an extensive banking background working mostly in Nottingham and the wider East Midlands. He has skills in business management, planning and development. He is an excellent networker and relationship builder with extensive corporate contacts across Nottingham and beyond which will be extremely helpful in raising our profile, expanding our Payroll membership and seeking support from the local business community.

Nigel also has an impressive voluntary track record which includes significant fundraising for the charitable sector and for many years serving on the Board of Governors of Ash Lea Special School, Cotgrave and Chairing their Finance Committee.