

**COVENTRY BUILDING SOCIETY**  
**MINUTES OF THE ONE HUNDRED AND THIRTY-FOURTH**  
**ANNUAL GENERAL MEETING**

**HELD AT THE RICOH ARENA, COVENTRY CV6 6GE**

**ON THURSDAY 26 APRIL 2018 AT 12.00 NOON**

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<b>On the platform</b>	Peter Ayliffe	(Chairman)
	Mark Parsons	(Chief Executive)
	Ian Geden	(Deputy Chairman & Chair of the Remuneration Committee)
	Roger Burnell	(Chair of the Board Audit Committee, Chair of the Board Risk Committee & Senior Independent Director)
	Andy Deeks	(Product, Marketing and Strategy Director)
	Catherine Doran	(Non-Executive Director)
	Michele Faull	(Chief Financial Officer)
	Peter Frost	(Chief Operating Officer)
	Jo Kenrick	(Non-Executive Director)
	Thomas Crane	(General Counsel & Secretary)

**Members** 163 members of the Society

**Attendees** Gemma Campbell (Ernst & Young LLP)  
Sian Roberts (Electoral Reform Services)  
Elliot Roberts (Electoral Reform Services)

Staff representatives and guests of the Society

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**1. CHAIRMAN'S INTRODUCTION**

- 1.1 The Chairman welcomed everyone to the meeting and it was noted that a quorum of Members was present.
- 1.2 There was produced to the meeting a Notice convening the meeting and, with the consent of all members present, the Notice was taken as read.
- 1.3 Mr Ayliffe began by paying tribute to Ian Pickering, the Society's former Chairman who passed away unexpectedly in September 2017. Mr Ayliffe commented on Mr Pickering's commitment to building the Society's culture of putting members first; on the remarkable business performance of the Society under his guidance, with consistently strong growth underpinned by excellent products and service; and the pride Mr Pickering felt by the Society's contribution to local communities including its long-standing partnership with the Royal British Legion. Mr Ayliffe concluded by remarking on Mr Pickering's personal integrity, humility and humour.

- 1.4 Mr Ayliffe introduced the Board of Directors. He welcomed three new Directors and it was noted that they would be standing for election for the first time: Executive Directors Michele Faull and Andy Deeks; and Non-Executive Director Jo Kenrick. Mr Ayliffe thanked Alasdair Lenman, who had stepped down as a Non-Executive Director; and Roger Burnell and Ian Geden for their long-service, support and loyalty following over nine years' as Directors and ahead of their retirement from the Board during 2018-19. Mr Ayliffe commented on the Society's announcement that Gary Hoffman would be appointed as a Non-Executive Director and elected as Chairman of the Board at a meeting of the Directors to be held immediately following the conclusion of the annual general meeting.
- 1.5 Mr Ayliffe then gave a presentation on the Society's performance and the challenges faced by the Board of Directors during which he:
- (i) spoke about the economy and the progress of Brexit negotiations;
  - (ii) emphasised the importance of the Society providing good value products whilst maintaining financial strength;
  - (iii) reported that the Society had grown to the UK's 2<sup>nd</sup> largest building society;
  - (iv) confirmed that the Society's strategy – of sustainable growth via the provision of simple, attractive savings products and low-risk residential property mortgages, underpinned by a cost-efficient operating model, focussed on putting members first – remained unchanged;
  - (v) commented on the Society's investment in branches and technology;
  - (vi) expressed thanks to the Society's employees and leadership team for their contributions;
  - (vii) assured members that the Board sought to pay fairly, not excessively, to attract and retain competent executives whilst acting in the best interests of members and in line with mutual values; and
  - (viii) illustrated the positive impact of employees putting members first with stories of their achievements.

## **2. CHIEF EXECUTIVE'S PRESENTATION**

- 2.1 Mr Parsons addressed the meeting with a presentation on three main topics. The first was the safety of members' money. The second was the competitiveness of the Society's products. The third was the quality of service provided to members. In this context Mr Parsons described the Society's 2017 performance and drew the meeting's attention to the following points of detail:
- (i) the Society's Common Equity Tier 1 capital ratio of 34.9% as at 31 December 2017 was the highest reported by a Top 20 mortgage lender;
  - (ii) the Society paid an average savings rate of 1.49% (compared to the average paid by all banks and building societies which was 0.63%);
  - (iii) savings and mortgages balances each grew by £3.0 billion (exceeding growth in these markets for the eleventh year in a row);
  - (iv) the Society lost money on 12 mortgages out of 290,000 since 2010;
  - (v) the Society's cost to asset ratio was 0.42% in 2017, the lowest reported by any UK building society;

- (vi) the overall Net Promoter Score was +73 (with the Savings Contact Centre and Branch Network scoring +80 and +90 respectively);
- (vii) the Society became one of only two savings providers to be recommended by Which?, and was awarded a Gold Ribbon by Fairer Finance for savings and mortgages for the third year running;
- (viii) Only 4% of complaints about the Society that were referred to the Financial Ombudsman Service were overturned;
- (ix) Employee engagement remained high with the Society being named a 'Top 100 company' to work for in the UK;
- (x) The Society's 10-year relationship with the Royal British Legion (RBL) and programme of supporting RBL and local good causes.

2.2 In summing up Mr Parsons thanked the Society's employees for their hard work and dedication; Mr Ayliffe for taking on and discharging effectively the role of Chairman following the sad and unexpected passing of Mr Pickering; and the Society's members, for their continued trust and support.

### **3. QUESTIONS FROM MEMBERS**

3.1 The Chairman invited questions on his and the Chief Executive's presentations and the resolutions proposed in the Notice.

3.2 A member commented on the Society's environmental credentials and asked whether the Board had considered the introduction of a bio-degradable debit card. Mr Parsons confirmed the Society was committed to minimising its environmental impact. He cited recycling at head office and branch premises as an example and thanked the member for the suggestion.

3.3 On the subject of the Society's investment in its branch network, a member commented on the refurbishment of his local branch for which he expressed his thanks to the Board. He considered it to be a welcome improvement. Another member asked how many branches the Society had and about the Board's attitude to branches as a means of serving members. Mr Ayliffe confirmed that the Society was committed to its 70 branches which were part of many local communities and served a vital function for many people, even in a world of increasing digitalisation.

3.4 The subject of savings interest rates paid by the Society was highlighted to the Board. In this context, a member commented on his own financial planning and investment objectives and attitude to risk, and the challenge of achieving a return above inflation because of current interest rates. In response Mr Ayliffe explained that the Society sought to balance paying savings interest rates that delivered fair value to members. Mr Ayliffe remarked that the Society had a track record of paying significantly above average market rates – over double in 2017 – and encouraged members to use the Society's online savings comparison tool. On the same subject another member asked what factors the Society considered before deciding on the term of fixed rate bonds. Mr Deeks commented on the need to ensure rates and terms were commercially appropriate and that funding considerations also played a part.

- 3.5 A member commented that the Society's online security Grid Card device would be discontinued in the near future. The member asked the Board to reconsider the decision. Mr Ayliffe explained that the Society had to balance ease of use and security considerations when designing online authentication measures. Mr Parsons added that customer requirements had evolved against a background of new regulation such as the EU Payment Services Directive and associated guidance and it was important that the Society kept pace with customer expectations.
- 3.6 A member asked what had caused the increases in project costs, wages and salaries, and head office employees which were reported on pp.117-118 of the 2017 Report & Accounts. Mr Ayliffe commented that the Society had begun a programme of investment in technology which had led to the recruitment of more IT staff. Ms Faull added that a key tenet of the Society's strategy was to maintain a cost-efficient operating model and she assured the meeting that both investments were to ensure long-term value for members and that the Board was mindful of the impact on members of increases in costs. Ms Faull remarked that although there had been an increase in staff numbers of c.5%, this compared to c.9% growth in assets which meant fewer staff per £100 of assets than in 2016.
- 3.7 The question of the future of permanent interest bearing shares (PIBS) was put to the Chairman of the meeting on the basis that they no longer met the regulatory definition of Tier 1 regulatory capital. Ms Faull explained that the Society's PIBS were still useful in as much as it was still possible to count them as Tier 2 capital for regulatory purposes.
- 3.8 A member asked about the difference between the Society and its group for accounting purposes. In reply Ms Faull explained that the Society's accounts excluded Godiva Mortgages Limited (GML) and ITL Mortgages Limited (ITL) which were both wholly-owned subsidiaries of the Society. Ms Faull added that the Society and its subsidiaries were managed as a single consolidated entity.
- 3.9 It was submitted by a member that the ring-fenced banks posed a strategic threat to the Society and that the role of the Society's external auditor in a skilled-person review of another financial institution placed it in conflict. Mr Ayliffe commented that audit firms, who were regulated by the Financial Reporting Council, had to have information barriers and controls to mitigate the risk that such conflicts impinged on their clients. Mr Ayliffe acknowledged the potential threat from ring-fenced banks as a positive form of competition and was confident of the Society's cost advantage and the role of mutuals in the market.
- 3.10 A member asked the Board what the Society had done to support first time buyers. Mr Ayliffe acknowledged that a maximum loan-to-value of 90% might be a limiting factor for such borrowers. Mr Ayliffe explained to the member that the Society's low risk approach to lending was a key contributing factor to its financial sustainability which in practice necessitated a degree of caution. He said that a borrower's individual circumstances would be taken into account where possible and illustrated the quality of the Society's mortgage book by referencing arrears

rates compared to the market.

**4. AUDITOR'S REPORT**

The Chairman proposed and the Meeting received the Auditor's Report, which was on pages 93 to 99 of the Annual Report & Accounts 2017.

**5. RESOLUTIONS**

The resolutions set out in the Notice were duly proposed.

The Chairman called for a poll on each of the resolutions so that proxy votes could be included in the votes when they were counted.

**6. RESOLUTION TO RECEIVE THE ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 DECEMBER 2017**

The resolution to receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2017 was put to a poll as required by the Chairman. The result of the poll was declared following the meeting as follows:

Votes For:	131,138 (99.2%)
Votes Against:	1,109
Votes Withheld:	939

**7. RESOLUTION TO APPROVE THE ANNUAL REMUNERATION REPORT**

The resolution to approve the Annual Remuneration Report for the year ended 31 December 2017 by way of an advisory vote was put to a poll as required by the Chairman. The result of the poll was declared following the meeting as follows:

Votes For:	121,357 (92.7%)
Votes Against:	9,560
Votes Withheld:	2,259

**8. RESOLUTION TO RE-APPOINT THE AUDITOR**

The resolution to approve the re-appointment of Ernst & Young LLP as Auditor of the Society to hold office until the conclusion of the next Annual General Meeting was put to a poll as required by the Chairman. The result of the poll was declared following the meeting as follows:

Votes For:	127,824 (97.1%)
Votes Against:	3,878
Votes Withheld:	1,484

**10. ELECTION AND RE-ELECTION OF DIRECTORS**

The proposal that each of the Directors offering themselves for election or re-election be elected/re-elected as a Director of the Society was put to a poll as required by the Chairman. The result of the poll was declared following the meeting as follows:

	<b>For</b>	<b>Against</b>	<b>Withheld</b>	<b>% in favour</b>
Peter George Edwin Ayliffe	127,409	3,809	1,971	97.1
Roger Douglas Burnell	127,921	3,354	1,909	97.4
Andrew William Deeks	127,840	3,278	2,064	97.5
Catherine Martina Mary Doran	127,566	3,825	1,792	97.1
Michele Jean Faull	127,542	3,781	1,861	97.1
Peter Nicholas Frost	127,534	3,698	1,950	97.2
Ian Scott Geden	127,037	4,168	1,976	96.8
Joanne Louise Kenrick	127,377	3,907	1,897	97.0
Mark Alistair Parsons	127,120	4,109	1,954	96.9

All resolutions were approved by the members.

**11. CLOSE OF MEETING**

The Chairman thanked the members for attending and declared the meeting closed.

Chairman.....

Date .....