

**Minutes of the Annual General Meeting held at
DoubleTree by Hilton Edinburgh City Centre, 34 Bread Street, Edinburgh EH3 9AF
on
Wednesday 28 May 2025 at 2pm**

Present: Ian Wilson, Chair
Sheila Gunn, Senior Independent Director
Sean Gilchrist, Non-Executive Director
Andrew Lee, Non-Executive Director
Neil Easson, Finance Director

Andrew Hastings, Vice Chair
Rosmary Hilary, Non-Executive Director
Karyn Lamont, Non-Executive Director
Paul Denton, Chief Executive Officer
Derek Johnston, Chief Risk Officer/Society Secretary

61 members

Guests Heather Varley, PwC

Apologies: -

1. Introduction

- 1.1 The Chair welcomed the members to the Society's 2025 Annual General Meeting (AGM) and declared the meeting open. He noted the unique view from the venue and advised that the venue was previously part of St Cuthbert's Co-operative Society, another mutual organisation which is still around today under the Scotmid name. The Chair advised it seemed fitting to meet here and reflect on the history that represents the enduring success of the mutual model.
- 1.2 As required by the Society's Memorandum and Rules, the Secretary confirmed to the Chair that the meeting was quorate.
- 1.3 The Chair introduced the Directors, some of whom were seated at the members tables, with the remainder being seated at the front of the room, and the Society Secretary.
- 1.4 The Chair then outlined the programme for the day and advised that there would be a presentation from the Finance Director, Neil Easson, to share the financial performance for the year followed by a presentation on the strategic and operational highlights from the Chief Executive Officer, Paul Denton. Following this the Society Secretary and Chief Risk Officer, Derek Johnston, would lead the members through the formal voting process.
- 1.5 The Chair advised there would then be refreshments served by the Society's colleagues and we would hear from one of the charities which has benefited from funding from the Scottish Building Society Foundation.
- 1.6 The Chair advised the members that there were feedback forms on each table noting that their feedback is very important to us and helps us make improvements for future AGMs.

2. Finance Director's Report

- 2.1 The Chair then introduced Mr Easson, Finance Director. Mr Easson advised that the results show strong growth for the year with the Mortgage balances growing amidst fierce competition and noted that this lending remained within the prime market, using our personal underwriting approach.
- 2.2 Turning to the Savings balances, Mr Easson advised that these had grown by £97m in the financial year, which was faster growth than the market average. He noted that interest rates were now in a downward cycle and the market was increasingly competitive with the expectation that Bank of England rates will continue to decrease over the next 12 months.
- 2.3 Mr Easson noted the importance of Client Account Online to the Society as this helps us to pay better rates to our savers. He advised members of the 17% growth in our total assets, and that the Society has doubled our assets in the last five years, which is the strongest growth seen for a building society in this time frame.
- 2.4 Moving on to Profits, Mr Easson advised that income had remained stable but there was a lower profit due to increasing costs year on year, such as the new mortgage platform which was introduced in the year.
- 2.5 Mr Easson then summarised the Financial Strength of the Society, noting the need to build our capital reserves and maintain the liquidity ratios, concluding that the Society is continuing to grow strongly and profits are adequate to support our future growth plans.

3. Chief Executive Officer's Report

- 3.1 Mr Denton, Chief Executive Officer, began by noting that 2025 marks the 250th Anniversary of the Building Society movement and that as the world's oldest remaining Society, we are proud to still be committed to the original purpose of societies to help people own their own homes by providing savings and mortgages. He noted the good growth highlighted in Mr Easson's report and advised members that from the 43 building societies in the UK, Scottish Building Society is number 21, in the top half. Mr Denton noted that the Building Societies Association will be holding events to celebrate this anniversary throughout the year.
- 3.2 Mr Denton then noted that the Society has doubled its total assets in the last 5 years and the quality of our assets are maintained in a safe and controlled manner. Mr Denton advised that he is attending a session at the Scottish Parliament to discuss the recent government proposal to double the growth of mutuals in the UK.

- 3.3 With regard to the external landscape and economic factors, Mr Denton discussed the changing interest rates and the expectation that this will fall further, with 3% or 3.5% rates expected going forward. He noted the difficulties in the current housing market for 1st time buyers. Mr Denton emphasised the Society is seeking to help people buy their homes and offers a range of mortgages to suit different buyers. He advised members of the “Great Wealth Transfer” currently being talked about in the media where it is expected that the wealth held by “baby boomers” will start to pass to their children or grandchildren in future years and the need for the Society to remain relevant for those generations.
- 3.4 Turning to the Political environment, Mr Denton commented on global uncertainty and how we have recently seen how that can impact us, emphasising that whilst we cannot control it, we do need to be prepared and ready for changes as they arise. Recent discussions with members during a visit to the Aberdeen and Inverness offices had highlighted concerns around potential changes to ISA limits, savings taxation and inheritance tax and Mr Denton advised that he is confident that changes will not be retrospective.
- 3.5 On Regulatory matters, Mr Denton referred to recent events in the retail markets and assured members that the Society was investing heavily to ensure our defences are as strong as possible and this includes investing heavily in our colleagues who are one of our best defences. On the subject of Fraud, Mr Denton noted that a matter raised at last years AGM around the branding on our envelopes had been addressed and branding was removed following this feedback. He also highlighted the Fraud events that had been held at our Relationship Centres.
- 3.6 With regard to our Society, Mr Denton noted that whilst we remain fully committed to providing passbooks and there are no plans to withdraw this option, we recognise the need to offer a choice that also suits the younger generations and the need for digital/online options.
- 3.7 Mr Denton then thanked colleagues for their hard work each day and advised members of the excellent satisfaction scores from the colleagues, resulting in us being featured in the Sunday Times Best Place to Work for the second year running.
- 3.8 Turning to our members, Mr Denton emphasised that our members opinions matter and that we remain keen to hear their views and we will act on the matters that are important to them, as referenced earlier.
- 3.9 Mr Denton referred to our product offerings noting that we understand how important good savings rates are to our members and whilst we cannot be number one in the tables all the time, he could assure members that we will always offer one of the better rates, noting that we paid our savers an extra £7m over the course of the 2024/25 financial year. On mortgages, Mr Denton again noted the challenges for first time buyers and acknowledged that whilst the majority of members present were not in that market, it was likely that they would know someone who was and would recognise the issues facing them. He summarised products available that may help members to help those in that situation, noting the Retirement Interest Only and the Guarantor Mortgages available.
- 3.10 Finally, on Environmental matters, Mr Denton advised members that the Society had recently received its ISO14001 accreditation recognising the steps taken and demonstrating our commitment to reducing our carbon footprint. He highlighted the partnerships we have with Greenfox and SNUGG energy that can help our members also.

4. **Members Question and Answer Session**

- 4.1 The Chair thanked Mr Easson and Mr Denton for their updates. He noted that this concluded the Finance and Business review and opened up the meeting to questions from members.
- 4.2 A Member noted their concern regarding the increases in Remuneration costs. The Chair asked Mrs Gunn, as Chair of the Remuneration Committee to respond and Mrs Gunn advised that the increases for our Executives Directors are look at market rates and benchmarking exercises are carried out where we look at societies of similar size and complexity and ensure our remuneration is within the median. The Chair added that it is a competitive market and we need to maintain an appropriate balance.
- 4.3 A member asked about liquidity ratios and what the Board's plans were to address any liquidity shortfall. It was noted that this members questions had been submitted but no response had been received. The Chair apologised for this and passed to Mr Easson to respond. Mr Easson advised that like all societies we have to follow a number of regulatory steps including a monthly and quarterly liquidity stress test. He advised we have a very detailed recovery plan which looks at collateral held with the Bank of England and details the steps we would take. The Chair added that this is an area that is regularly discussed with the regulator and it is also reported annually to them.
- 4.4 A member noted the previous reference to “baby boomers” and noted that the Society does not currently offer child savings accounts. Mr Denton explained that when Child Trust Funds were introduced, it changed the child savings market significantly and impacted regular child savings accounts. He advised the member that we are currently looking at our overall savings products offered and provided assurance that options for junior savings accounts were being considered.
- 4.5 Another member referred to the remuneration report noting the importance to monitor the numbers in the reports and that it would be useful to have a longer term view (rather than 2 years) of this. The member also noted that the report is dated to 31 January 2025 noting that the members are voting for a report that has been previously agreed. They then referred to the percentage increase in remuneration for Non-executive directors noting their concern about how many years increases have been similar. The Chair confirmed that the report and accounts do show the remuneration for the year to 31 January 2025 and that this is the report being voted on. He advised that the Board are mindful of the level of increases and noted that increases for Non-Executive Directors are benchmarked every three years. When reviewing last year it was observed that our Non-Executive awards had fallen behind similar sized societies therefore there was an adjustment to address this as part of the pay award.
- 4.6 A member then noted the impressive growth achieved and asked what the level of savings and mortgages is outside of Scotland. It was noted that this question had also been submitted prior to the meeting but had not been responded to. Apologies were given for this. Mr Denton explained that digital savings were introduced five years ago and this is available UK wide. Currently the split between Scottish and English accounts is around 85% Scottish and 15% English. In terms of Mortgages, Mr Denton advised that we have offered mortgages in the North of England via intermediaries for approximately three years with around 90% of our mortgage book being on Scottish properties. The

Chair added that we are in a unique position as the only Scottish headquartered building society and noted the importance of our relationship centres whilst recognising the opportunities that digital options offer going forward.

- 4.7 A member observed that our Directors have a number of other interests detailed in the report and whilst they recognise the need to get the best directors for our Board, asked how we ensure that adequate time is being spent on Society business. A follow up question was also asked around extra costs to the Society when Board members have to fly to meetings. The Chair noted this refers to Non-executive directors and that when we look for a new director, we are looking for the best candidate that will add value to the Board. Whilst geography is important, the Non-Executive Directors do not have a commitment to be in the offices every day therefore we can be flexible regarding location. The priority is to find the best person to be on the Board.
- 4.8 A member voiced their appreciation that we are maintaining passbooks. The Chair noted that we recognise this is important and re-iterated there are no plans to remove these at present.
- 4.9 A member asked about mortgage products and why the longest term offered is a 5 year fixed term when most people would like to lock in their payments for a longer term as it is the largest payment they make each month. Whilst the member recognises there are regulatory implications, they asked if there were any opportunities to offer extended fixed terms. Mr Denton explained that the PRA Sourcebook provides the regulations around this, linked to interest rate risk management. The Sourcebook states that the maximum term should be no longer than 5 years. He explained that the PRA have announced that the Sourcebook may be removed going forward and whilst we need to continue to manage the interest rate risk, we need to consider whether fixed terms could be extended beyond 5 years. The Chair added that if, for example, we could offer a 30 year fixed term, people go through a large number of life changes within that term and there could be significant costs to the customer if they lock in at a higher rate then rates drop as seen recently. The Chair also noted a bank was launched approximately two years ago which did offer 30 year mortgages but there has been little appetite in the market for these.
- 4.10 A member asked what preparation was in place to reconstruct following a cyber-attack. Mr Denton advised that we had strong plans in place with Cyber insurance and IT specialists on retention. He also noted that extensive scenario testing is carried out and whilst we cannot test every potential scenario, the Senior Leadership Team and the Board are aware of the steps to be taken in case of an attack. The Chair advised that whilst we hope to never experience this, the expertise to manage this is in place. Part of the increasing costs referred to in earlier slides is in relation to our preparation for this.
- 4.11 A member raised the issues around the property market and buy-to let in particular, noting that they feel this is an area that does not get the right level of focus in Parliament. They asked if this is something that our Society could raise to help give young people a chance to get on the property ladder. Mr Denton believes that there is a housing shortage in Scotland and the difficulties in getting on the housing ladder. He confirmed the Society's stance that members should be able to own their own main residence and noted that buy to let is a difficult market. The Chair added that this is frequently discussed when looking at who we lend to and that the Board have to do the right thing for our members. Another member noted recent changes with councils no longer selling their housing stock since 2016 and noted that the tourism market also impacts the housing market in some areas with holiday lets impacting supply.
- 4.12 With no further questions, the Chair moved on to the formal business of the AGM as set out in the Notice of the Meeting and introduced Mr Johnston as the Society Secretary and Chief Risk Officer of the Society.

5. Resolutions

- 5.1 Mr Johnston explained that, in keeping with Corporate Governance best practice and in line with the Society's Memorandum and Rules, all resolutions would be decided by way of a poll.
- 5.2 Mr Johnston confirmed that there were 12 resolutions put before the meeting, all of which were ordinary resolutions and therefore required a simple majority to be passed.
- 5.3 Mr Johnston noted that the resolutions were displayed on the screen. These are noted below for information.
- 5.4 Mr Johnston noted that members may have voted prior to the meeting and members need only take part in the vote if they had not already submitted a proxy voting form or if they wished to change their proxy voting instructions.
1. To receive the Directors' Report, the Annual Accounts, the Annual Business Statement and the Auditors' Report for the year ended 31 January 2024
 2. To approve the Directors' Remuneration Report set out in the Society's Annual Report & Accounts for the year ended 31 January 2024
 3. To re-appoint PricewaterhouseCoopers LLP as independent auditors of the Society to hold office until the conclusion of the next Annual General Meeting
 4. To re-elect Paul Denton as a Director
 5. To re-elect Neil Easson as a Director
 6. To re-elect Sean Gilchrist as a Director
 7. To re-elect Sheila Gunn as a Director
 8. To re-elect Andrew Hastings as a Director
 9. To re-elect Rosemary Hilary as a Director
 10. To re-elect Karyn Lamont as a Director

11. To re-elect Andrew Lee as a Director

12. To re-elect Ian Wilson as a Director

5.5 Mr Johnston noted that the vote was completed and there would be a short break whilst the votes were being collected and counted. During this time, a short video highlighting the work of the Scottish Building Society Foundation was played.

6. **Declaration of the result**

6.1 Having opened and closed the poll, on behalf of the Chair, Mr Johnston confirmed that the votes had been counted. A slide was shown showing details of the resolutions and a breakdown of the proxy votes. Mr Johnston confirmed that based on the proxy votes submitted by Members in advance of the meeting, all resolutions had been supported by a substantial majority.

6.2 Mr Johnston also confirmed that, after being checked and validated, the final results, combining both proxy votes already submitted and the results of today's vote, would be published on the Society's website by the end of the week.

6.3 Mr Johnston noted that this concluded the formal business of the AGM and handed back to the Chair.

8. **Any Other Business**

8.1 The Chair confirmed that no notice of any further formal business under the Rules had been received and as there were no further questions from the members present, formally closed the meeting. The members were invited to remain seated as refreshments would be served and there would be a presentation with Dr Bell's, one of the beneficiaries of a Scottish Building Society Foundation award.

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Chair