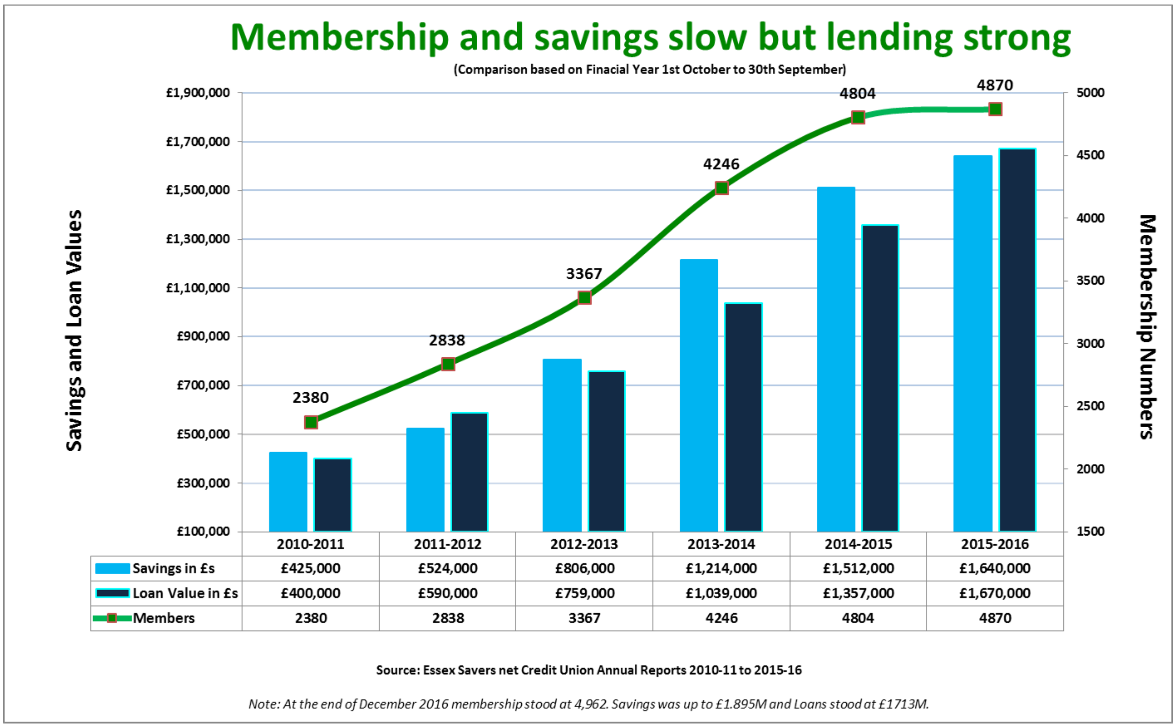
The Board's Annual Report
for the financial year 1 October 2015 – 30 September 2016

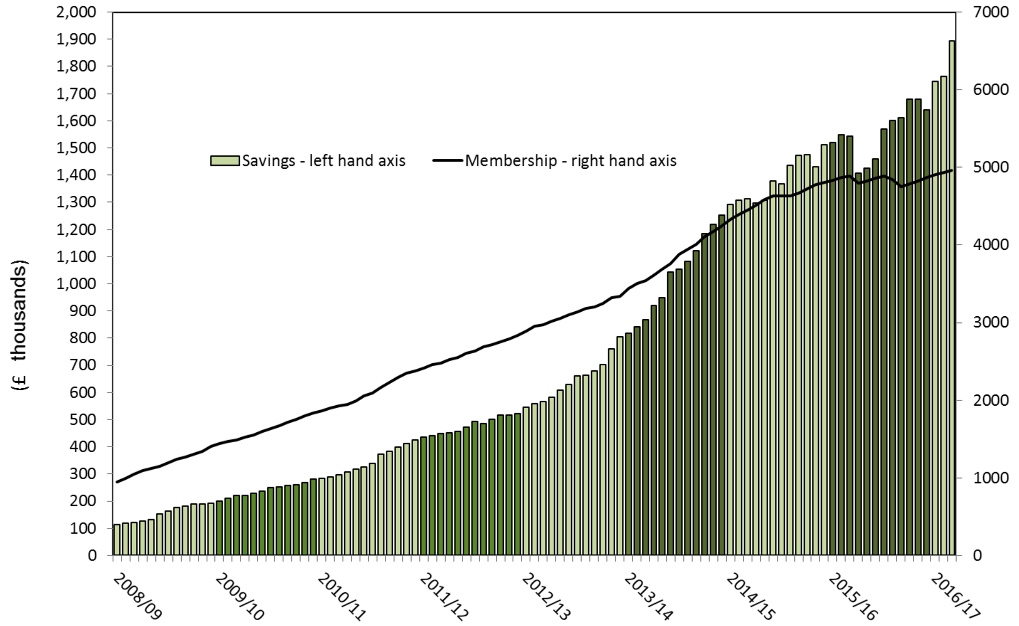
(as presented to the Annual General Meeting, 3 March 2017)

Our financial year 2015-16 was another successful year for Essex Savers with our income from lending increasing (there has been no lack of demand for loans!) moving us in the direction of sustainability. However membership and savings growth has been much slower. This is partly as a result of our regular savers making withdrawals as their circumstances change. Some of these changes being less secure employment, zero hour contracts, reduced hours or redundancy. So keep saving and encourage others join and save with us. The size of loans has increased as we are providing credit for more people in work and has brought welcome diversity to our membership. We are now an alternative to High Street banks as well as the high cost lenders. More people are requiring transactional bank accounts as welfare benefits change. Our Budget account with VISA card provides what is needed as well as helping people to budget.

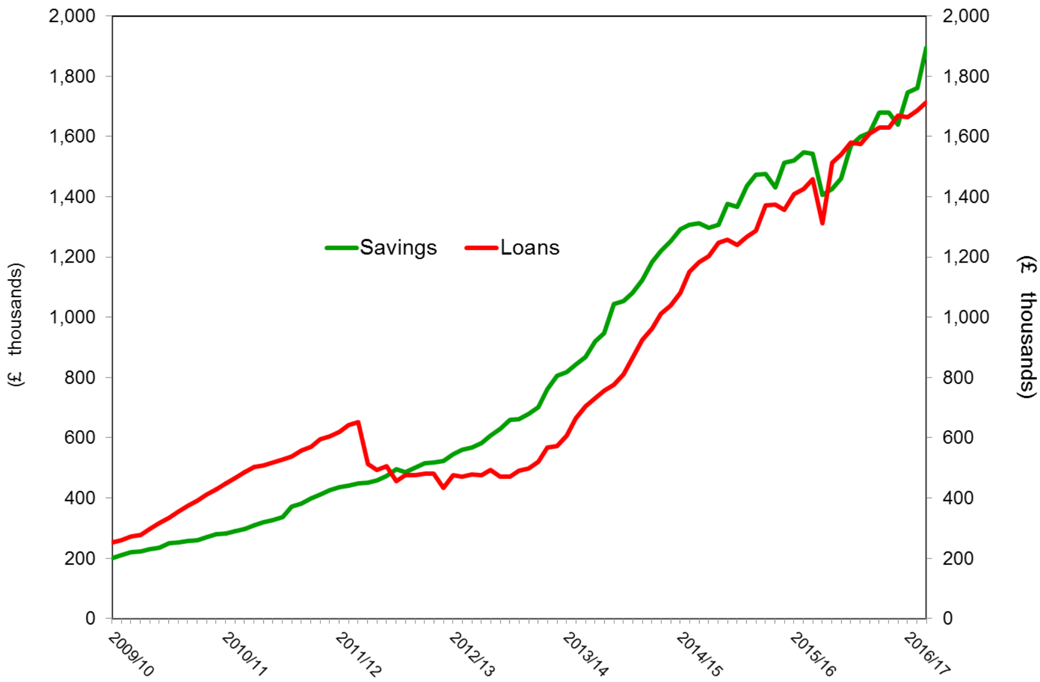


This year has been exceptionally tough. The tighter regulations being imposed by the Bank of England, since regulation moved from the Financial Services Authority, have been implemented over the last eighteen months. This has added to the complexity of operating a credit union making it more difficult to manage without a core of staff. Meeting the higher capital requirements as we grow and the increased percentages for provisions to be set against our loans are both a challenge. This year we have added to our recovery processes to tackle slow payers, and non-performing loans to reduce our provisions but it will take us time with better arrears management to bring it under control. To this end we have employed someone specifically for Credit Control and upgraded our back office system with a module to automatically and immediately alert us to missed payments.

Membership remains below 5,000…



..but the demand for loans remained upward last year



We have coped well with all the added regulation and work during the year, or so we thought! At the end of the year, September 2016, we had a healthy surplus and met our capital requirement with audited account complete. However the Bank of England then reviewed our provisions and required us to increase them. This we did and were still compliant though with less surplus. In January, we and our auditors were required to add the provision for an extra four months, October 2016 to January 2017 into September 2016 accounts, reducing our capital dramatically so we were then technically non-compliant in

September 2016. The Treasurers report gives more detailed information on our financial situation. This has impacted our financial results since.

However the good news is that with the capital support we have already received, as indicated in our draft monthly accounts for February 2017, we are again compliant. It is a battle but one we can win. We have the support of our new Chairman, Steve Allen, with his experience of a very similar situation in his own credit union some years ago. He brought them through to being recognised for their success, strong financially, with very low provisions and thriving. We are following a new plan to achieve the same.

Alison Davies
President
February 2017

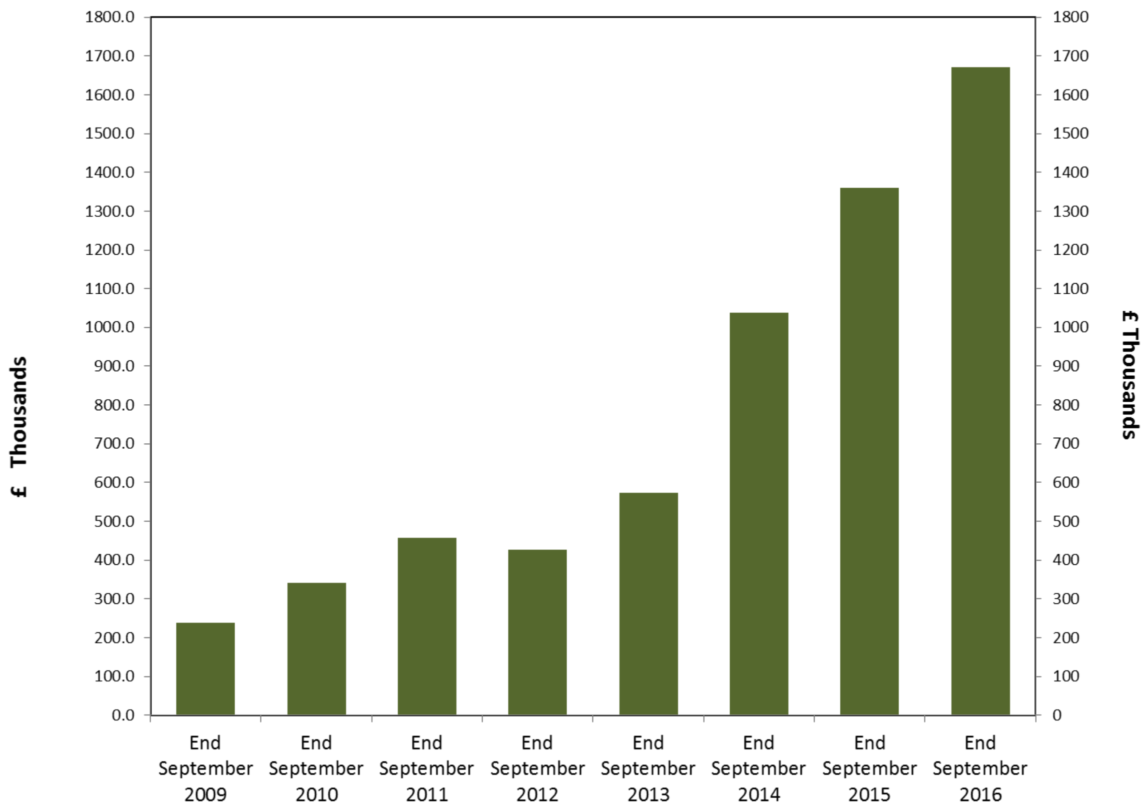
Credit Committee Report 2015/16

We lent over £1M this year in 1,350 loans and total lending is now well over £9M.

Demand for loans has remained high and the quality of the loans this year has improved as we have required members to provide more information to help us assess applications. We have also set in place checks on all new loans to ensure members start their repayments on time at the agreed amount. Delayed or reduced repayments immediately puts a loan into arrears which will increase the interest the member will pay but also requires us to put a provision aside, a cost to us.

Our members continue to look for quick decisions on loans with more applying direct to our Head Office, emailing in their applications which they have downloaded from the website or picked up from our service points. Service Points too are increasingly faxing or emailing applications to us to avoid the time lag when using the post.

Loan Balance 2009 - 2016



The socio-economic mix of our membership is changing, with many more employed and retired people saving with us. This helps us service the growing demand for credit as well as opening a market for our larger loans. Every week a number of loan applications are now for cars/car repairs so members can get to work.

Borrowing to pay off debts, now includes not only those with high interest lenders but bank loans and overdrafts, which attract high charges as soon as the customer cannot meet their repayment commitments. This exacerbates a person's already worsening financial situation whether through job loss, sickness or delays in benefit payments. We are helping many members as their situations change until money is coming in regularly again. These can be with helping to pay their rent, gas and electricity etc.

The usual borrowing for household items, college fees and an increase of requests for funeral expenses are on-going. Holidays and Christmas also feature on a regular basis. Our short-term payday type loans remain popular and are bringing us employed members.
The high demand for our loans means that we are often lent to capacity so we need many more savers to increase our lending which in turn will grow our income.

We are being more insistent with our members who borrow to 'save as they borrow'. Last month's research by the Fair Finance Foundation entitled 'Save as you Borrow' confirmed the benefits of people saving even small amounts as they borrow so that eventually they can reduce the need for constant borrowing.

Given the increasing amounts that we are having to provide for outstanding loans, have reviewed all that we do and are implementing a more robust lending and recovery policy to avoid defaults on new loans and improve recoveries on older ones.

Ann Dixon
Credit Committee
February 2017