



# Hanley

ECONOMIC

Building Society

## Notice of Annual General Meeting & Summary Financial Statement for the year ended 31 August 2020



Vote online at  
[www.thehanley.co.uk/agm](http://www.thehanley.co.uk/agm)

Hanley Economic will donate 10p for every postal and in branch vote, and 35p for every vote online. The donation will be shared across our 4 charities.



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Registered Office: Granville House Festival Park Hanley Stoke-on-Trent ST1 5TB  
Tel: (01782) 255000 Email: [customerservices@thehanley.co.uk](mailto:customerservices@thehanley.co.uk)

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

# Notice of Annual General Meeting

## Message from the Chairman

Dear Member,

2020 Annual General Meeting

As a mutual building society, owned by our Members, we believe it is important you have your say in the way your Society is run. Your Board continues to monitor developments closely in relation to the COVID-19 pandemic. The health and wellbeing of our Members, colleagues and their families is of paramount importance to us. We are legally required to hold our AGM. Due to guidance in place at the time this notice is published, this will significantly restrict our ability to hold the AGM in its usual format. In order to comply with guidance, the Board has decided that Members may not attend the AGM in person. The current intention is to hold the AGM with the minimum number of Members present to form a quorum under the Society rules. These attendees will comprise of Directors and Staff Members of the Society. To ensure the safety of this limited number of people whose attendance is essential, we will not admit other Members on the day of the AGM.



Despite the restrictions on attending in person, your Board appreciates the opportunity to engage with Members and you will be able to ask the Board and the Leadership Team any questions in advance. This can be done either in our branches or via email to [CustomerServices@thehanley.co.uk](mailto:CustomerServices@thehanley.co.uk)

Enclosed with this notice is the Summary Financial Statement which shows that your Society has performed well this year, recording new mortgage advances of £93m, whilst savings increased by £20m.

At the AGM the Members will vote on the Society's Accounts, the re-appointment of KPMG LLP as Auditors and the Directors' Remuneration Report.

Andrew Stuart Macdonald and Robert Michael Young are seeking re-election as Non-Executive Directors and Mark Edward Selby re-election as an Executive Director. Robert Ian Stewart Henley and Elizabeth Whitfield are seeking election as Non-Executive Directors. A short statement by Directors seeking election can be found on page 5.

The Board review annually the mix of skills and performance of Directors, both individually and collectively, to ensure the range of expertise and experience remains appropriate for the effective governance of the Society.

It is the recommendation of the Board that you vote in favour of all of this year's propositions.

We have reappointed Howsons Electoral Services to act as independent scrutineers to oversee the collection and counting of your votes for this year's meeting.

Please make use of your right to vote, which can be done in a number of ways. Enclosed with this notice is a personalised voting form that you can complete and return to the scrutineers in the prepaid envelope or it can be handed in to any of our branch offices from where it will be passed to the scrutineers.

Alternatively we offer the option for you to vote online by completing your proxy form which can be done by visiting our website at [www.thehanley.co.uk/agm](http://www.thehanley.co.uk/agm). This link will connect you directly to the scrutineers' secure website which contains full instructions on how to complete and submit your proxy form online.

As an incentive for you to use your vote and as part of our ongoing support for the local community, the Society will contribute across our four partner charities 10p for each completed proxy form it receives for this year's AGM and will increase this to 35p for each proxy form submitted online.

Nick Jordan  
Chairman

# Notice of Annual General Meeting

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## 166th Annual General Meeting of the members of Hanley Economic Building Society

Notice is given that the 166th Annual General Meeting of the members of Hanley Economic Building Society will be held for the following purposes:

### AGENDA

1. To receive the Auditor's Report.
2. To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 August 2020.
3. To consider and if thought fit, pass an Ordinary Resolution to re-appoint KPMG LLP as Auditors until the conclusion of the next Annual General Meeting.
4. To approve the Directors' Remuneration Report.
5. To consider and if thought fit to (re-)elect directors:-
  - (a) To re-elect ANDREW STUART MACDONALD
  - (b) To re-elect MARK EDWARD SELBY
  - (c) To re-elect ROBERT MICHAEL YOUNG
  - (d) To elect ROBERT IAN STEWART HENLEY
  - (e) To elect ELIZABETH WHITFIELD
6. To transact any other business permitted by the Rules of the Society.

By Order of the Board  
M. Selby  
Chief Executive & Group Secretary  
10 November 2020



Your vote makes a difference

Hanley Economic will donate 10p for every postal and in branch vote, and 35p for every vote online. The donation will be shared across our 4 charities.

The notes on pages 7 and 8 of this leaflet form part of this Notice

# Notice of Annual General Meeting

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## Election Addresses

### **ANDREW STUART MACDONALD**

I am delighted to have been a Non-Executive Director of Hanley Economic for the last six years, and equally am pleased to have been able to play a key role in helping our Society maintain its financial strength, improve the management of its treasury and asset & liability functions along with ensuring that the Audit & Compliance Committee copes effectively with the array of regulatory changes impacting the firm. With your support I hope to be able to continue to work with fellow Board members and the Society's Leadership Team alike to further this success story.

### **MARK EDWARD SELBY**

I am pleased to present myself for re-election as your CEO after three full financial years of leading the Society. In those three years we almost doubled profit on the previous three years and have grown the balance sheet by 23%. In addition, we have achieved all-time records for lending and savings balances.

Having strengthened the commercial performance of the Society, we are now investing for the future and refreshing the legacy IT infrastructure to create a modern and viable business for the future. More broadly, we have widened our support for local charities as well as sustaining our links with the Dougie Mac.

We have also continued our commitment to being a great place to work, winning a place in the Sunday Times 'Top 100 Best Small Companies to work for', two years running. With the Leadership Team I am hoping your vote will allow me to continue this success and ensure the Society has a strong, stable and compelling model for the future.

### **ROBERT MICHAEL YOUNG**

For the last 20 years of my career I have lived and worked in the Potteries as an Insolvency and Turnaround Practitioner, helping businesses and individuals in financial difficulties survive and thrive. Both in this professional capacity and as a former President of North Staffordshire Chamber of Commerce I have witnessed and admired Hanley Economic's ethos and its commitment to its Members and the mutual model. Having served three years on the Board I now have an even higher regard for Hanley Economic. I believe that I have used my business skills and expertise to assist the Board and the excellent Executive Team to manage some of the historic commercial debts and set a strategy for the future. We are entering a difficult period for the economy given the impact of the COVID-19 pandemic and I believe that my skill base will be particularly relevant in helping to guide us through the choppy waters that lie ahead. I am also keen to continue to help the Society through an exciting period of change when we have much planned to future proof Hanley Economic and make us more relevant to a new generation of savers and borrowers without jeopardising the many good attributes we already possess. I am proud to be a Board member of this excellent Building Society and seek the support of Members to continue in this role.

# Notice of Annual General Meeting

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## Election Addresses continued

### **ROBERT IAN STEWART HENLEY**

I am delighted to have the opportunity to offer myself for election as a Non-Executive Director of the Hanley. Having been co-opted to serve in January 2020, I was greatly impressed from the outset by the quality of the business and the clear sense of purpose and direction of the Board: the Hanley has a proud and successful history and both the people and the plans to continue that success.

I would be honoured to play my part in that journey. I have spent 40 years in the financial services industry, where my focus has always been on customers and on the management of risk and I believe I have the knowledge and skills to serve the Society's members effectively as both a Non-Executive Director and as Chair of the Risk Committee. The COVID-19 crisis has tested many parts of the Society's business - I have navigated a number of crises in the financial services industry during my career and I commit to deploying those insights to protect your Society in the times ahead.

Finally, thanks to the excellent support of colleagues and the warm welcome of all at the Hanley Economic, I already feel 'at home' here and would welcome the opportunity to continue to serve you.

### **ELIZABETH WHITFIELD**

I am delighted to have been co-opted as a Non-Executive Director of the Hanley earlier this year. Despite all the challenges that COVID-19 has thrown up, I have been extremely impressed with how everyone in the business has risen to the challenge keeping the Hanley and its branches open for business; being there for our Members and responding to the changing economic landscape.

I believe in putting customers first and this concept is magnified in a mutual model of serving our Members. I also believe in diversity of thought and strive to bring a different perspective as my contribution to the Board. COVID-19 is landmark moment in history and I am excited to be a part of the Hanley journey as it continues to provide clear leadership, keeping our Members at the heart of all thinking and continuing to build on its strong foundations.

# Notice of Annual General Meeting

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## VOTING CONDITIONS

1. These Notes form part of the Notice of Meeting.
2. Under the Society's Rules, a Member entitled to vote may appoint one proxy to vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy, and your proxy does not have to be a Member of the Society.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on page 8 in this Voting Details booklet.
4. If voting by proxy, the form must be received by the scrutineers no later than midday on 15 December 2020.
5. In order to vote, or appoint a proxy, you must qualify as either a shareholding Member or a borrowing Member.

### Shareholding Members

- (a) To qualify as a shareholding Member, you must –
  - (i) if you are an individual, be at least 18 years old on 15 December 2020, and
  - (ii) have held shares to the value of not less than £100 in the Society on 31 August 2020, and
  - (iii) not have ceased to hold a share or shares in the Society at any time between 31 August 2020 and the voting date, and
  - (iv) hold a share or shares in the Society on the voting date.
- (b) Where the shares are held jointly by two or more persons, only the first named in the records of the Society in respect of these shares can have any voting rights.

### Borrowing Members

- (a) To qualify as a borrowing Member, you must –
    - (i) be at least 18 years old on 15 December 2020, and
    - (ii) have owed the Society not less than £100 in respect of a mortgage debt on 31 August 2020, and
    - (iii) owe the Society not less than £100 in respect of a mortgage debt on the voting date.
  - (b) Where a mortgage debt is owed jointly by two or more persons, only the first named in the records of the Society in respect of the mortgage can have any voting rights.
6. In addition, you can only vote once as a Member, irrespective of –
    - (a) the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee), and
    - (b) whether you qualify to vote as both a shareholding Member and a borrowing Member.

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## VOTING CONDITIONS (CONTINUED)

- (1) You may vote yourself or you may use the proxy form to appoint one proxy to vote for you. You may appoint the Chairman of the Meeting or anyone else as your proxy, and your proxy does not have to be a Member of the Society.
- (2) If you wish to instruct your proxy to vote for, against or abstain on any of the resolutions in Section 2(a) of the proxy form, please place an 'X' in the appropriate box. If you do not instruct your proxy to vote either for, against or to abstain on a resolution, your proxy is authorised to vote on that resolution at his or her discretion.
- (3) If you wish to instruct your proxy to vote for, against or abstain for any director standing for election in Section 2(b) of the proxy form, please place an 'X' in the appropriate box. If you leave all boxes blank, your proxy is authorised to vote for that director at his or her discretion.
- (4) If you wish to give additional instructions to your proxy on how to vote at the Meeting, please use the space at the foot of the form or on an attachment.
- (5) The Abstain option is provided to enable you to instruct your proxy not to vote on a particular resolution. However, it should be noted that a vote withheld in this way is not a 'vote' by law and will not be counted in the calculation of the proportion of the votes 'For' or 'Against' a resolution.
- (6) Please do not forget to sign the Declaration in Section 1 of the form. Only signed forms will be valid.
- (7) Please return the proxy form by delivering it to any of our branches. If you prefer, you may put the form into the enclosed envelope and use our Freepost address:  
Hanley Economic Building Society  
AGM Voting Scrutineers  
Howsons Electoral Services  
50 Broad Street  
Leek  
ST13 5NS
- (8) You can vote online. Please go to [www.thehanley.co.uk/agm](http://www.thehanley.co.uk/agm) from where you will be redirected to a secure independent voting site. You will need your user identification and password which can be found on the front page of the proxy form. Online voting is available 24 hours a day until midday on 15 December 2020.

THE PROXY FORM MUST BE RECEIVED BY THE SCRUTINEERS NO LATER THAN  
MIDDAY ON 15 DECEMBER 2020

IF YOU HAVE ANY PROBLEMS COMPLETING THE FORM PLEASE CALL US ON  
01782 255000

(Monday to Friday between 9.00am and 5.00pm or Saturday between 9.00am and 4.00pm)



# Hanley

ECONOMIC

Building Society

## **Business Review & Summary Financial Statement**

**for the year ended 31 August 2020**

Registered Office: Granville House Festival Park Hanley Stoke-on-Trent ST1 5TB  
Tel: (01782) 255000 Email: [customerservices@thehanley.co.uk](mailto:customerservices@thehanley.co.uk)

Visit our website at [www.thehanley.co.uk](http://www.thehanley.co.uk)

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

# Chief Executive’s Business Review



I am very proud of what the whole team at the Society have achieved this year. Of the three full years I have been CEO this has been the toughest and most challenging for everyone. Most obviously, we have wanted to ensure our Members have been looked after during the lockdown months of the pandemic. In addition, we embarked on a major technology transformation project just before the COVID-19 lockdown commenced.

In what have been extraordinarily challenging circumstances, we have managed to sustain the operation to look after our Members throughout the crisis.

Although we have had to slightly compromise on service levels at times, we have kept every branch open and continued processing mortgage applications and telephone enquiries throughout the period. The branch teams contacted lists of older, more vulnerable Members who depend on cash to make sure they knew how we could help them ensure they had enough money.

We received over four hundred enquiries from Members concerned about their mortgage payments during the pandemic. We were able to listen and help everyone who needed our support.

Key Performance Indicators	2020	2019	2018	Movement
	(£'000)	(£'000)	(£'000)	%
Operating Profit	833	855	1,475	(2.62)
Profit after tax	737	700	1,201	5.23
Liquidity	86,439	87,028	94,316	(0.68)
Mortgage Balances	375,253	355,974	327,504	5.42
Retail Savings	395,019	375,086	343,478	5.31
Reserves	28,815	28,056	27,341	2.70

As well as achieving budget for profit we have also exceeded £90m for gross lending for a third consecutive year. I believe this is the first time this level of lending has ever been achieved successively over three years. As a result we have grown our balance sheet by a healthy 4%. This means the balance sheet is now 23% larger than at the beginning of 2017.

It looks likely that the pandemic will continue for some time to come but at this point we have implemented ways of working that have kept all our staff safe too. Sickness absence is lower than the same point last year. In our branches we have supplied colleagues with masks, visors, sanitiser as well as screens and barriers. As a result of significant investment in IT over the last twelve months, we were able to transition head office colleagues to remote working within a few days. At the time of writing we are all grateful that no colleague has tested positive for COVID-19.

Our financial strength means that we have not needed to access any government help or the Furlough Scheme. We have continued to pay full salaries to all colleagues and avoided reducing working hours or redundancies. We were able to reward all staff a cost of living pay-rise for 2021.

In terms of commercial results, we are pleased to report near record levels of lending - far exceeding budget - coupled with strong margin management. Despite the pandemic and associated lockdown the team have also achieved our budget for profit too. In addition to successful revenue management, the team have taken every opportunity to drive costs down and save money.

## Investing for the Future – People

Recruiting and developing local talent has been a constant theme of the Society for many years. Last year we announced the promotion of Larne Payne to Finance Director. Since the summer of last year, we have added three local colleagues to the Leadership Team. Lynsey Carter, Will Jones and Anna Guy have joined Hanley Economic as Head of Operations, Technology and Risk respectively. All three of them bring new experience and skills to the Society. In addition, we were delighted to promote Jenny Jones to Head of Finance. Jenny is another local colleague who joined the Society three years ago as a Management Accountant.

I believe under Larne’s leadership we have one of the strongest Finance teams in the Society’s history – which includes an Apprentice and three more colleagues working towards completing their professional qualifications. As a Board, we very much want the Society to be both a great place to work and somewhere colleagues can develop themselves and their careers. The Society has a strong legacy of balancing the value of long standing skilled staff with the development of the Leadership Team.

During the pandemic the collective 50 years of Society knowledge from our Head of Branches and Head of Business Development was integral to maintaining operations for new and existing Members.

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In the last three years we have increased spending on Training and Development by more than 25%. Over the same time period unforced staff turnover has fallen from over 20% to below 5%.

### A Great Place to Work

We were delighted to win a place again in the 2020 Sunday Times Best Small Companies to work for in the UK. This is the second consecutive year we have been recognised as an outstanding employer. The HR team, led by Deborah Henry, have delivered a programme that along with the Leadership Team, has achieved extraordinary colleague engagement. We believe this is the foundation for great customer service as well as our commercial success.

### Investing for the Future – Technology

Much of the technology and associated infrastructure at the Society was more than ten years old and beyond its normally expected life-span. In the last year we have invested to completely replace this hardware and upgrade our network. Led by Will Jones, the Technology team have transformed the infrastructure and given us a stable and robust environment that is now ready for growth. This investment meant that when COVID-19 forced the lockdown we were able to seamlessly move to remote working within a few days.

### Investing for the Future – Project Capstone

The banking software the Society uses, is at its core, more than 25 years old. Given the growth in our business levels in the last three years, the Board recognised that the Society needed to review the core banking system and test that it was fit for upcoming challenges. The Board has a clear objective to ensure Hanley Economic is a strong, viable business with a sustainable future.

In September 2019 we began a process of assessing the current system against potential replacements. We used a small, external consultancy to support the Leadership Team in this process. The consultancy (Whitecap Consulting) have deep experience in procurement processes as well as wide knowledge of the financial services technology market. It was clear to the team that our future technology needs to support the strategic direction of the Society whilst maintaining the choice and service current Members' value. We also need to recognise the potential that some Members may want more modern online and digital services as well as the more traditional passbook and branch based service we will always offer.

In February 2020, the Board signed a service agreement and contract with DPR Software. We then initiated Project 'Capstone' to transition from our current systems provider to a new core banking and online system. Once launched, the new system will enable the Society to offer more online services to Members and to make our business more accessible and modern. This means new customers and mortgage brokers will find Hanley Economic a far easier organisation to bring their business to. The new system also provides a more robust platform for future growth. DPR also supports all our current services and branch operations. This is a significant, complex project for the team and probably the biggest transformation in the Society's history. To support the change we have engaged the expertise of a number of external firms with specific skills and experience. We will only make the transition when the Board are content that the risks are well managed and Members are protected.

### Supporting our Community

The restrictions associated with the Coronavirus pandemic have limited the ways in which we have been able to support our local charities. We have continued to support Alice, Dougie Mac, Glow and YMCA with our Charity Saver Account which has grown by over £1m this year – which will mean nearly £6,000 donation shared amongst our four partners. The Dougie Mac Saver continues to contribute to the hospice – this year we will donate over £31,000. We hope to re-start some of the bigger events and volunteering when the government guidelines support those activities. Despite the lockdown colleagues have supported our community with donations, collections and volunteering.

### Outlook

The government's Furlough Scheme is expected to end in March 2021 and the Brexit transition period ends in December 2020. The Bank of England is forecasting significant unemployment and slower economic growth. There is little expectation that interest rates will rise. It is therefore reasonable to suggest that it may be a tough twelve months for the economy during our next financial year.

More locally, we have the bulk of our technology project 'Capstone' to execute during this financial year. To aid the transition we will plan to slow lending to minimise risk but this will impact on next year's balance sheet growth and profit. The Board sees this reduction in expectations and results as an investment in the Society's future.

Whatever the challenges of 2021, you can be assured that the Board and all the team at Hanley Economic Building Society will continue to provide the service and support our Members have enjoyed for 166 years.

Mark Selby  
Chief Executive  
10 November 2020

# Your Board

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## **Nick Jordan**

Nick was appointed to the Board as Chairman in May 2018. Nick is an Oxford graduate and has over 35 years' experience in the Financial Services sector in a wide variety of leadership positions both executive and non-executive, including as a Chief Risk Officer and Chief Credit Officer at a major domestic UK bank. He holds a small number of other Non-Executive Board directorships and is Deputy Chair of Governors at Latymer Upper School. Nick is married with two grown-up children.

## **Andrew Macdonald**

Andrew Macdonald was appointed as a Non-Executive Director in September 2014. Andrew is Chair of the Audit & Compliance Committee and a member of the Assets & Liabilities Committee. He began his career in branch banking with Barclays in the late 1970's and became a specialist in Treasury and Asset & Liability Risk Management.

Andrew later worked for Halifax, Skipton and Nationwide Building Societies, again in Treasury and Asset & Liability management roles, and was as a consequence made a Fellow of the Association of Corporate Treasurers in recognition of his work in this important area.

## **Ian Henley**

Ian joined the Board in January 2020 as a Non-Executive Director and formally took up his role as Chairman of the Risk Committee in April. He has spent 40 years in the financial services industry, leading client-facing teams in the UK, Europe and the US. He has considerable experience serving on and chairing credit and risk committees and, in his most recent executive experience, was Global Head of Lending and Transaction Management in the Commercial Banking business of HSBC.

Ian is a graduate of Cambridge University in Modern Languages, is married with three children and spends his spare time golfing, skiing, walking and gardening.

## **Liz Whitfield**

Liz joined the Board as a Non-Executive Director in May 2020 and is also a member of the Audit & Compliance Committee.

She is a Chartered Accountant and specialised in Corporate Finance at KPMG LLP and latterly as a partner at RSM. Liz then moved to Lloyds Banking Group, developing an initiative to interface with the national accountancy firms. Here, she was appointed Chair of the Women's Network, becoming heavily involved in diversity and inclusion.

In 2014, after qualifying as an executive coach, Liz founded Growth Plans Ltd, a coaching and consultancy business.

She is married with 2 grown-up children. She is delighted to be a part of Hanley Economic and believes in its strong values and ethics focused on its Members and the local community.

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### **Simon Woodings**

Simon Woodings was appointed to the Board as a Non-Executive Director in April 2016 and is chair of the Remuneration Committee and a member of the Audit and Compliance Committee. Simon spent his career in a Stoke-on-Trent based law firm as a corporate/commercial lawyer becoming senior partner until joining his family's fire protection engineering business in October 2015. Simon lives in Staffordshire and is married with two children.

### **Bob Young**

Bob Young was co-opted to the Board in May 2017 and his appointment was confirmed by Members at the AGM in December 2017. Bob is also a member of both the Assets and Liabilities Committee and the Audit and Compliance Committee.

Bob spent his career as an Insolvency and Turnaround Practitioner, for the last 20 years in Stoke-on-Trent, initially as the local Director of PwC and later as Senior Partner of the Stoke office of Begbies Traynor. Bob then became a founder member of Currie Young Ltd from which he has now retired. Since February 2020 Bob has also held a part time role for Begbies Traynor as a Business Development Executive. Bob lives in Caverswall and is married with 4 children and 6 grandchildren.

### **Mark Selby**

Mark Selby, joined the Society as CEO in November 2016 having previously been COO at Abbey National/Santander and Virgin Money.

Before entering banking, Mark had a career in food retailing working for Sainsbury's and Greggs.

Mark has a Masters degree in Business from Cranfield University and a first degree from University of East Anglia. Mark is married with two sons.

### **Larne Payne**

After initially working within the NHS, Larne joined the Society in 2012 as Financial Controller, qualifying as a Management Accountant the following year. Over this period she has developed a wide range of financial services experience including Balance Sheet Management, Financial Control and Regulatory Reporting. Larne, who lives locally, joined the Board as Finance Director in 2019.

She is Chair of both the Assets and Liabilities Committee and Product Development Committee, as well as an attendee of the Risk Committee and Audit & Compliance Committee.

# Summary Directors' Report and Strategic Business Review for the year ended 31 August 2020

## Review of the year and key performance indicators

The Directors are satisfied with the Group's performance, summarised as one of sustained growth in both savings and mortgages, together with a positive contribution to the Group's capital base.

Key Performance Indicators	2020	2019	2018
Total Assets (£'000)	465,602	446,974	426,276
Asset Growth	4.17%	4.86%	5.62%
New Mortgage Lending (£'000)	93,632	96,132	91,768
Mortgage Growth	5.42%	8.69%	8.17%
Retail Shares Balance net increase / (decrease) (£'000)	19,933	31,608	9,887
Total Retail Shares and Deposit Growth	4.38%	8.29%	2.40%
Post-tax profit (£'000)	737	700	1,201
Gross Capital (% of shares and deposit liabilities)	6.63%	6.72%	6.87%
Free Capital (% of shares and deposit liabilities)	6.01%	6.12%	6.23%
Liquid Assets (% of shares and deposit liabilities)	19.88%	20.86%	23.69%
Management Expenses (% of mean total assets)	1.19%	1.15%	1.08%

### Total assets

Total assets have increased by 4.17% (2019: 4.86%) from £446.97m at the end of 2019, up to £465.60m at the end of 2020. This was achieved by solid growth in mortgage balances funded through £31.61m of retail shares. Growth for the Society continues to be ahead of inflation.

The Society, as a mutual, considers the growth in its assets as a key objective in its future, specifically that, in order to ensure a sustainable growth model, the growth in assets must be relative to the growth in capital.

### Mortgage lending and overall mortgage balances

During 2020 we continued to grow our mortgage lending with £93.63m of advances. Overall total mortgage balances increased by £19.28m, an 5.42% increase on 2019. Redemptions during the year were £61.78m (2019: £54.2m).

### Retail shares

Retail shares at 31 August 2020 were £395.02m (2019: £375.1m), an increase of £19.93m (5.31%) on the previous year. The strengthening of our savings base particularly in a period of low interest rates, demonstrates our competitive pricing in the market both for new and existing Members.

### Liquid assets

By maintaining sufficient liquidity the Society can ensure that it meets its liabilities as they fall due. The liquid assets comprising cash, bank balances and authorised investments amounted to £86.44m (2019: £87.03m), representing 19.88% (2019: 20.86%) of total shares and deposit liabilities.

Total liquidity includes £57.50m deposited with the Bank of England's Reserve Account and £17.00m in respect of Treasury Bills. All of these investments are highly liquid and qualify towards the Society's liquidity buffer which was significantly in excess of its minimum regulatory requirement.

### Net profit and reserves

An appropriate level of profit is required to re-invest in the business and to maintain the capital required to satisfy regulatory requirements and to protect investors. Profit after tax and total comprehensive income for the year amounted to £0.7m (2019: £0.7m) and represents a ratio of 0.21% of mean total assets. The profit after taxation has been added to the General Reserve which stands at £28.8m (2019: £28.1m).

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### **Management expenses ratio**

The ratio expresses administrative expenses and depreciation as a percentage of average total assets. The Society continues to review management expenses and endeavours to contain expenditure. Overall the management expenses ratio has increased to 1.19% (2019: 1.15%).

### **Gross and free capital**

Gross capital is defined as general reserves as shown in the Group's balance sheet, and free capital as the aggregate of gross capital and collective loan provisions less tangible fixed assets. The Directors ensure that a satisfactory level of capital is maintained to protect the Society against adverse market movements or changes in economic conditions.

At the year end the ratio of gross capital as a percentage of total share and deposit liabilities was 6.63% (2019: 6.72%) and free capital was 6.01% (2019: 6.12%). The Core Tier 1 ratio (unaudited) stood at 16.16% (2019: 16.74%) and the Leverage ratio (unaudited) stood at 5.73% (2019: 6.04%). Tier 1 Capital was £27.1m (2019: £27.3m) and Tier 2 Capital £0.4m (2019: £0.1m), providing total Capital resources of £27.4m (2019: £27.5m).

The Board complies with the Basel IV Capital Requirements Directive (CRD) which requires the Society to assess the adequacy of its capital strength through an Internal Capital Adequacy Assessment Process (ICAAP). Through the ICAAP the Board is satisfied that the Society holds a level of capital more than sufficient to satisfy the CRD's Pillar 1 minimum capital requirements, and additional identified Pillar 2 capital to mitigate the principal risks to which the Society is exposed. The Board approves the ICAAP on an annual basis, and it is reviewed by the Prudential Regulation Authority (PRA) in setting the Society's capital requirements as Total Capital Requirement (TCR). Regulatory Capital held by the Society at the Statement of Financial Position date was £17.6m, well in excess of that required by the regulator.

Further details of the Society's approach to risk management can be found in the Society's Pillar 3 disclosures required by the CRD on the Society's website, [www.thehanley.co.uk](http://www.thehanley.co.uk).

### **Mortgage arrears and impaired cases**

- (a) At 31 August 2020 there were 0 cases (2019: 0) where the borrowers were 12 months or more in arrears. In certain circumstances the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty. In each case an individual assessment is made to ensure forbearance is in the best interests of both the borrower and the Society. It is expected that the borrowers will resume normal payments once they are able. As at 31 August 2020, there were 5 cases (2019: 5) under forbearance measures with total balances of £0.7m (2019: £0.7m) and arrears totalling £8k (2019: £8k). The Board assesses the impact of forbearance measures regularly and considers that if there is a possibility of loss, a provision is made in accordance with the Society's policies.
- (b) Included in loans secured on residential property are a total of 10 cases (2019: 10), with a balance outstanding of £13.9m (2019: £13.9m), all of which are either in possession or under management by a Law of Property Act Receiver. Although these cases have experienced previous financial difficulty, each has now been let thereby protecting the fabric of the buildings over which the Society has a charge, as well as generating an income stream. As at 31 August 2020 total specific impairment provisions of £5.1m (2019: £5.1m) are held against these exposures.

### **Executives and staff**

The Society maintains an open recruitment and staff development policy, affording equal opportunities regardless of age, gender, race, religion or disability. Staff communication and training continue to remain priorities for the Society.

The Board wish to record their thanks to the staff for their commitment, support, co-operation and flexibility which is so essential to the ongoing success of Hanley Economic and for the benefit of the communities in which we operate.

N. M. Jordan, Chairman  
10 November 2020

# Summary Directors' Remuneration Report for the year ended 31 August 2020

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## Directors' Remuneration

The purpose of this report is to inform Members of Hanley Economic about our policy on the remuneration of Executive and Non-Executive Directors. This Policy is reviewed annually by the Board.

### The Remuneration Committee

The Committee is responsible for the remuneration policy for all Executive Directors of the Society, Senior Managers and the Chairman of the Society. It makes recommendations to the Board regarding remuneration and contractual arrangements. In reviewing remuneration, the Committee has regard to both the supervisory statement issued by the Prudential Regulation Authority and the Financial Conduct Authority relating to remuneration and the UK Corporate Governance Code. The Committee meets at least twice a year. In making its decisions it considers comparative remuneration packages and reviews supporting evidence, including taking external professional advice where appropriate.

### Policy for Executive Directors and Senior Team members

The Board's policy is to set remuneration levels which will attract and retain high calibre Executive Directors and Senior Team members, and to encourage excellent performance through rewards directly linked to the achievement of Hanley Economic's strategic objectives. The main components of remuneration are:

- a) Basic Salary – which takes into account the role and position of individuals including professional experience, responsibilities, job complexity and market conditions. Basic salary is reviewed annually.
- b) Pensions – which involves Hanley Economic contributing to the personal pension arrangements of its Executive Directors. The Society does not have a Defined Benefit/Final Salary pension scheme.
- c) Incentive Schemes – which take into account performance of the Society over a range of areas reflecting the mutual status of the Society and importantly, not purely its financial performance. Further benefits under this scheme are paid over a period of years and are subject to non-payment if performance deteriorates.
- d) Other Benefits – include the provision of a car allowance to each Executive Director and Senior Team member, private medical insurance, income protection and a concessionary mortgage rate on loans up to £500,000.

All benefits are reviewed annually by the Remuneration Committee paying particular regard to the type of behaviours they may promote.

Executive Directors have contractual notice periods of up to 6 months and so any termination payment would not exceed 6 months' salary and accrued benefits.

The individual performances of the Executive Board members are reviewed on an annual basis by the Remuneration Committee.

### Policy for Non-Executive Directors

The remuneration of all Non-Executive Directors is reviewed on an annual basis using external benchmarking data for other comparable Building Societies, and by a performance review process undertaken by the Society's Chairman. The level of remuneration for Non-Executive Board members is set by the Chairman and the Chief Executive.

The Chairman's performance review is conducted by the Senior Independent Director and his remuneration is reviewed and set by the Remuneration Committee.

There are no bonus or incentive schemes for Non-Executive Directors and they do not qualify for pension entitlement or other benefits. Non-Executive Directors do receive as part of their remuneration a travel allowance for travel to meetings at head office and may claim expenses in accordance with the Society's prevailing expenses policy.

The Remuneration Committee agreed the Directors' remuneration as follows:

	<b>2020</b>	<b>2019</b>
Non-Executive Directors:	£000	£000
N. M. Jordan (Chairman)	43	40
R. I. Henley (from 1.1.2020)	18	-
A. S. Macdonald	31	29
V. Oak (to 31.12.2019)	9	26
E. Whitfield (from 1.5.2020)	8	-
S. Woodings	27	26
R. M. Young	27	26
	<u>163</u>	<u>147</u>

Executive Directors:

	Salary	Benefits	Sub-total	Pension Contri- bution	Sub-total
	£000	£000	£000	£000	£000
2020					
M. E. Selby	210	58	270	26	294
L. Payne	90	22	112	11	123
	<u>300</u>	<u>80</u>	<u>382</u>	<u>37</u>	<u>417</u>
2019					
M. E. Selby	200	38	238	25	263
L. Payne (from 18.6.2019)	19	3	22	2	24
	<u>219</u>	<u>41</u>	<u>260</u>	<u>27</u>	<u>287</u>

S. Woodings  
Chair of the Remuneration Committee  
10 November 2020

# Summary Financial Statement

## for the year ended 31 August 2020

This financial statement is a summary of information in the audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to Members and Depositors free of charge on request at every office of the Hanley Economic Building Society from 20 November 2020, or can be downloaded from the Society's website [www.thehanley.co.uk](http://www.thehanley.co.uk).

Approved by the Board of Directors on 10 November 2020 and signed on its behalf by:

N. M. Jordan, Chairman    M. E. Selby, Chief Executive and Group Secretary    L. Payne, Finance Director

### Summary Directors' Report

A summary review of the events and business of the Group during the year and commentary on the financial position at the end of the year can be found on pages 14 to 15.

<b>Group Results for the year</b>	<b>2020</b>	<b>2019</b>
	£'000	£'000
Net interest receivable	6,065	5,987
Other Income and charges	48	56
Administrative expenses	(5,422)	(5,036)
Provision for Bad Debt	142	(154)
Profit before FSCS	833	853
Provision for liabilities - FSCS	-	2
Profit for the year before taxation	833	855
Taxation	(96)	(155)
Profit for the year	737	700
Financial Position at end of year	2020	2019
	£'000	£'000
Assets		
Liquid assets	86,439	87,028
Mortgages	375,253	355,974
Derivative financial instruments	8	3
Fixed and other assets	3,902	3,969
Total assets	465,602	446,974
Liabilities		
Shares	395,019	375,086
Borrowings	39,677	42,118
Derivative financial instruments	1,363	736
Other liabilities	728	978
Reserves	28,815	28,056
Total liabilities	465,602	446,974

Summary of Key Financial Ratios	2020	2019
Gross capital as a percentage of shares and borrowings	6.63%	6.72%
Liquid assets as a percentage of shares and borrowings	19.88%	20.86%
Profit for the year as a percentage of mean total assets	0.16%	0.16%
Management expenses as a percentage of mean total assets	1.19%	1.15%

## Key Financial Ratios

The Key Financial Ratios have been prepared from the Group's accounts and in particular:

### **Gross capital as a percentage of shares and borrowings**

The gross capital ratio measures the proportion that the Group's capital bears to the Group's liabilities to Members and other investors. The Group's capital consists of profits accumulated over many years in the form of reserves. Capital provides a financial buffer against any losses which might arise in the group's business and therefore protects investors.

### **Liquid assets as a percentage of shares and borrowings**

The liquid assets ratio measures how the proportion of investors' funds (held in the form of cash, short term deposits and marketable securities) bears to the Group's liabilities to Members and other investors. Liquid assets are readily realisable, enabling the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans and to fund its general business activities.

### **Profit for the year as a percentage of mean total assets**

The profit/mean total assets ratio measures the proportion which the profit after taxation for the year bears to the average of total assets at the start and end of the year. The Group needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors.

### **Management expenses as a percentage of mean total assets**

The management expenses/mean total assets ratio measures the proportion which the Group's administrative expenses (including depreciation and amortisation) bears to the average of the Group's total assets at the start and end of the year.

# Independent Auditor's Statement for the year ended 31 August 2020

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## **Independent auditor's statement to the Members and depositors of Hanley Economic Building Society**

### **Opinion**

We have examined the summary financial statement of Hanley Economic Building Society ('the Society') for the year ended 31 August 2020 set out on pages 14 to 15.

On the basis of the work performed, as described below, in our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 August 2020 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

### **Basis of Opinion**

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 August 2020, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 August 2020.

We also read the other information contained in the Business Review and Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Our report on the Society's full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

### **Directors' responsibilities**

The directors are responsible for preparing the summary financial statement within the Business Review and Summary Financial Statement, in accordance with applicable United Kingdom law.

### **Auditor's responsibilities**

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Business Review and Summary Financial Statement with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

### **The purpose of our work and to whom we owe our responsibilities**

This auditor's statement is made solely to the society's members, as a body, and to the society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body and the society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

Alain de Braekeleer (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor, Chartered Accountants  
1 Sovereign Square, Sovereign Street  
Leeds, LS1 4DA  
10 November 2020

# Savings Interest Rates as at 31 August 2020

	Gross Contractual or gross rate	Annual Equivalent Rate	Previous Rate		Gross Contractual or gross rate	Annual Equivalent Rate	Previous Rate
	%	%	%		%	%	%
<b>Instant Access/</b>				<b>Children's Savings</b>			
<b>Local Charity Saver</b>				<b>Young Saver</b>	0.55	0.55	1.20
Balance £100,000 and above	0.30	0.30	0.55	<b>Junior ISA</b>	1.55	1.55	2.20
Balance £50,000 – £99,999.99	0.20	0.20	0.45	<b>Regular Savings</b>			
Balance £25,000 – £49,999.99	0.15	0.15	0.40	<b>Branch Regular Saver</b>	1.25	1.25	1.10
Balance £10,000 – £24,999.99	0.10	0.10	0.35	<b>Corporate Savings</b>			
Balance £100 – £9,999.99	0.05	0.05	0.30	<b>Corporate Saver</b>			
Balance less than £100	0.01	0.01	0.26	Balance £100,000 and above	0.35	0.35	0.60
<b>Notice Accounts</b>				Balance £50,000 – £99,999.99	0.15	0.15	0.40
<b>Notice 30</b>				Balance less than £50,000	0.10	0.10	0.35
<b>Annual and Monthly Interest</b>				<b>Corporate Tracker Issue 4</b>			
Balance £200,000 and above	0.60	0.60	0.85	Balance £10,000 and above	1.00~	1.00	1.19
Balance £100,000 – £199,999.99	0.50	0.50	0.75	<b>Tracker Savings</b>			
Balance £50,000 – £99,999.99	0.35	0.35	0.60	<b>Branch Saver#</b>	0.10	0.10	0.75
Balance £25,000 – £49,999.99	0.20	0.20	0.45	<b>Homebuyer Savings</b>			
Balance £10,000 – £24,999.99	0.15	0.15	0.40	<b>Home Deposit Saver</b>	2.45	2.45	3.10
Balance less than £10,000	0.10	0.10	0.35	<b>Closed Issues*</b>			
<b>Notice 90</b>				<b>Cash ISA – 30 day notice</b>	0.30	0.30	0.95
<b>Annual and Monthly Interest</b>				<b>Cash ISA – 60 day notice</b>	0.50	0.50	1.15
Balance £100,000 and above	0.95	0.95	1.20	<b>Child Trust Fund</b>	1.55	1.55	2.20
Balance £50,000 – £99,999.99	0.65	0.65	0.90	<b>DMH Saver^^</b>	0.01	0.01	0.26
Balance £25,000 – £49,999.99	0.55	0.55	0.80	<b>Corporate Tracker – Issue 5&amp;</b>	1.10	1.10	-
Balance less than £25,000	0.35	0.35	0.60	<b>Monthly Income Saver</b>	0.65	0.65	1.30
<b>Potteries Prize Saver Account</b>				<b>Michelin Regular Saver</b>	1.05	1.05	1.70
Balance £100 and above	0.25	0.25	0.50	<b>Postal 180 Day Notice</b>	0.65	0.65	1.30
<b>Tax Free Savings</b>				<b>Postal 180 Day Notice – Issue 2</b>	0.65	0.65	1.30
<b>Cash ISA – Instant access</b>				<b>Regular Saver</b>	0.65	0.65	1.30
Balance £3,000 and above	0.25	0.25	0.90				
Balance less than £3,000	0.05	0.05	0.30				
<b>Cash ISA – Regular Saver</b>	0.75	0.75	1.40				

~ Guaranteed to pay 0.40% above the 3 month LIBOR rate (1 April 2020)

\* Closed Issue means that these accounts are unavailable to new customers, however existing customers can operate their account in line with the appropriate account terms and conditions.

# Branch Saver tracks the Bank of England Base Rate (April 2020)

^^ DMH - Interest rates and tiers are the same as Instant Access/Local Charity Saver accounts.

&& Guaranteed to pay 1.00% above the Bank of England Base Rate (April 2020)

Any future changes to the terms and conditions including interest rates of our savings accounts will be published on our website at [thehanley.co.uk](http://thehanley.co.uk), be available in our branches and via our telephone helpline.

Important information about compensation arrangements

Hanley Economic Building Society is covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to savers if a building society or bank is unable to meet its financial obligations. Most savers – including most individuals and small businesses – are covered by the scheme. Your eligible deposits held at the same bank, building society or credit union are added up in order to determine the coverage level. If, for instance, you hold eligible deposits in a savings account with £70,000 and a current account with £20,000, you will only be repaid £85,000.

For further information about the scheme (including the amounts covered and eligibility to claim) please ask at your local branch or call us on 01782 255000, or refer to the FSCS website [www.FSCS.org.uk](http://www.FSCS.org.uk) or call 0800 678 1100.

Head Office: Granville House, Festival Park, Hanley, Stoke-on-Trent, Staffordshire ST1 5TB

Tel: 01782 255000

Email: [customerservices@thehanley.co.uk](mailto:customerservices@thehanley.co.uk)

Branches at Biddulph, Cheadle, Festival Park, Longton, Newcastle, Stone and Hanley City Centre



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Building Society



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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.