

Strategic Report for the year ended 31st December 2020

From Stephen Jack, Vice-Chairman

Good evening everybody. It is good to be able to talk with you at our AGM this evening, albeit via video-link given the current environment.

My name is Stephen Jack and I am Vice-Chair of the Society. As you have just heard from our new Chair John Spence, he only took over as Chair in January 2021, so the Board felt it more appropriate that I give this overview having served as vice-Chair for the whole of 2020 financial year. After I have spoken we will welcome questions from members, where you will also have an opportunity to speak with Peter Burrows, our Chief Executive, and other members of the Board.

For The Cambridge Building Society, and indeed for the world as a whole, 2020 was a year dominated by the global pandemic. The society went into 2020 with strong momentum to continue to grow and develop its business and to deliver on the Board's objective of making The Cambridge a thriving, independent, mutual Society. That strategic intent remains unchanged, but much of our focus last year was necessarily on adapting the Society firstly to manage the challenges of COVID-19, and secondly to be positioned to operate successfully in a post-pandemic world.

Our guiding principles throughout the pandemic have been to look after our people, to be there for our members, and to ensure the financial sustainability of the Society. Our team members are designated as 'key workers' and have continued working throughout the pandemic. We maintained all our branch and call centre services, supporting our members and, in particular, providing access to cash.

We adapted many of the Society's operational activities, installing secure IT processes to enable the large majority of Head Office team members (including those in our call centre) to work from home, and implemented 'COVID secure' working practices across our branch network. This represented the most substantive transformation of the Society's working practices in living memory, and was completed successfully within a single month.

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As a result of the pandemic, many of our members experienced challenges in affording their regular mortgage payments. We worked proactively with any member who encountered such difficulty, trying to find the right, personalised solution for each of them. Our response included holding a telephone conversation with every borrower who had requested a payment deferral to answer their questions and understand their needs and agree an appropriate plan of action. At the peak of the pandemic impact in 2020, we were supporting nearly one in ten of our mortgage customers with some form of payment deferral. Thankfully, for the majority of customers that impact was temporary, but we continue to work with a higher than usual number of customers facing longer term challenges in meeting their mortgage payments.

Consumer behaviour has undergone a distinct shift during the pandemic. As an example, on average we are now dealing with over 50% more calls from customers into our call centre than we were a year ago, and the majority of those calls are handled by team members working from their own homes. A much smaller contingent of team members are maintaining our Head Office building, largely to deal with postal correspondence. This has necessitated fundamental changes in both our operating processes and our controls. Reassuringly, our customer service feedback scores for 2020 are in line with prior years, indicating that we have managed to absorb the impacts of the pandemic without noticeable detriment to customer relationships or service.

Investment in the Society continued apace during 2020. We continued to develop our branch network, investing in our modernised store format and fully refurbishing our Bar Hill and Cherry Hinton Village stores. And indeed today we opened a brand new store in Histon. From a product perspective, we removed our historic geographic restrictions on lending and expanded our proposition to cover all of England & Wales. The pandemic limited the impact of this strategic move, but it will characterise the development of our mortgage business in the short to medium term. We also continued to improve our digital offering, and will be making a significant investment to enhance our core IT systems in 2021, demonstrating the Board's ongoing commitment to delivering an operating platform that allows our members and partners to choose when and how they interact with the Society.

In this unique year, and against an uncertain economic backdrop, the Society maintained a strong underlying financial performance. Total assets grew by 7% to £1.7bn, and net interest income grew 9% to £19.6m which, together with continued cost control, resulted in profit before tax of £4.8m, a healthy increase on 2019. Our capital and liquidity positions remain strong and well above regulatory

limits. Member numbers increased during 2020 to over 124,000 and we were delighted to win the 'Best Lender Website' at the 2020 What Mortgage awards.

Thirty new team members joined the Society in 2020, many recruited virtually with the pandemic preventing the usual face-to-face recruitment processes. This included a number of changes to the board. As well as John Spence joining in late 2020, and taking over as Chair from January 2021, in 2020 we welcomed Professor Andrew Rice, from Cambridge University, as a new Non-Executive Director. We also welcomed two new Executive Directors: Richard Brockbank who took over as Chief Financial Officer from Peter Burrows, and Carole Charter who took on the role of Chief Commercial Officer, succeeding Andy Lucas, who left the Society after ten years of exemplary service. Carole and Richard were internal appointments to the Board, but both participated in appointment processes facilitated by external executive search and recruitment firms, reflecting well on our internal talent development and succession planning.

COVID-19 created new work and personal pressures for our people and we implemented a number of virtual processes to support them as they continued to serve our members in a much changed working environment. It is a credit to our senior team that throughout the pandemic, our staff surveys rated 'leadership' as a particularly strong dimension of our business. Separately, in May we were pleased to become official signatories to the Women in Finance Charter, a HM Treasury sponsored initiative to increase opportunities for women in the financial services sector.

The Cambridge remains rooted in our local community and committed to making a difference to those who live and work in and around the city. We are clear on our purpose: to find ways to help people have a home, by supporting people who couldn't buy without our help and by working with groups in our community who offer services for shelter and housing.

In 2020 we launched The Cambridge Building Society Community Fund to provide support to local groups, charities and organisations who need financial support with their work to address home and housing needs. This is a charitable fund, established with initial funding from the Society of £500,000. We hope that it will act as the vehicle for the Society to make a genuinely significant and life changing impact on the homes and housing prospects of many less fortunate people across our region. The first grants from the fund have begun to be made in early 2021.

The COVID-19 pandemic continues to impact all our lives, and your Board will continue to ensure that the Society is focused on looking after our people, being there for our members, and safeguarding our financial sustainability. Beyond the immediate public health challenge, the longer term economic impacts of COVID-19, combined with the reorientation of the UK economy post Brexit, mean that the UK's macro-economic outlook is not as clear as it seemed a few years ago.

We believe that this makes the contribution and success of organisations like The Cambridge – organisations with a community ethos, with the well-being of its people and customers at their heart, and with a burning ambition to thrive – even more critical. We celebrated our 170th birthday in 2020, and we believe that the society has a bright and relevant future ahead of it for many years to come.

I hope that everyone remains safe, secure and healthy over the coming year.

Thank you.