



**Leeds  
Building  
Society**



# A Perfect Partnership

**Working together**  
Use of TalkingPoint to understand members' needs.

**Home ownership**  
Helping 50,279 people have the home they want.

**Community partners**  
Exciting partnerships with parkrun and Samaritans.

**AGM 2018: Make your vote count** Read more inside



# Helping 50,279 people have the home they want

In 2017, we helped more members  
make a house, their home.

There's strength  
in our numbers.



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## Get involved.

You have a say in the way we do things – so make your vote count!

We'll make a charity donation of 10p for every paper form and 20p for every online vote returned.

**Find out more about this year's AGM on pages 34 – 35  
or vote online now at [www.leedsbuildingsociety.co.uk/voting](http://www.leedsbuildingsociety.co.uk/voting)**

# 2017.

## A year in review

2017 has been a year of partnerships. Partnerships that are helping our members, colleagues and the communities we are part of.

Here are some of the highlights:

### Strengthening community togetherness

In 2017, we launched our partnership with parkrun, a volunteer-led organisation that hosts more than 1,300 weekly timed runs, worldwide! Like us, parkrun supports the importance of community togetherness, which is why we're working to ensure such a powerful movement stays free and accessible to all.

**Read more about our parkrun partnership on page 16.**



### Helping savers

In October 2017, we did our bit for savers by launching a major review of our savings accounts. At the time, we were the only high street financial services provider to pay all our savings members a minimum of 0.5% across both our ISAs and non-ISAs<sup>1</sup>. Throughout 2017 we paid an average interest rate of 1.33% compared to the market average of 0.70%, this equates to an annual benefit to our savers of £75 million<sup>2</sup>.

**For more information visit**  
[www.leedsbuildingsociety.co.uk/your-society/](http://www.leedsbuildingsociety.co.uk/your-society/)



<sup>1</sup> According to research conducted by Leeds Building Society based on the FCA Sunlight Remedies 2016.

<sup>2</sup> CACI's CSDB, Stock, January 2017 – December 2017. CACI is an independent company that provides financial services benchmarking data and covers 86% of the high street cash savings market.



## Providing extra support

We made big strides in the way we provide support to our members who have special circumstances. We now have a dedicated specialist team for our members, to ensure they receive the help they need for their individual situations. For example, providing extra support and guidance when our members have lost a loved one.

**Read more about the great work we're doing to provide extra support to our members on page 13.**



## Supporting Samaritans

With input from colleagues and members we went through a process to select a new charity partner.

We're proud to announce that Samaritans is Leeds Building Society's new charity partner. Their 20,000 volunteers are there every day, for anyone who is struggling to cope. And with someone contacting Samaritans every six seconds our support will help ensure their vital work continues.

**Read more about our partnership with Samaritans on page 17.**



## 2017 awards and achievements

We work hard to provide the best products and services we can, and love it when this is recognised with awards! In 2017, we won Best Building Society Savings Provider, for the second year running and Best Shared Ownership Mortgage Lender; we retained our 1\* Best Companies rating; and were awarded an accreditation by Investors in People.

**Read more about our achievements and awards at [www.leedsbuildingsociety.co.uk/your-society/awards/](http://www.leedsbuildingsociety.co.uk/your-society/awards/)**

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# Welcome from our Chairman

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**Year ended**  
31 December 2017

I'm pleased to report that Leeds Building Society had a successful year in 2017. During a period of uncertainty around the UK's future relationship with Europe and a snap General Election, we have delivered another strong set of results and continued to help people save and have the home they want.

Assets increased by 16%, to £18.5 billion, and membership is now more than 796,000. Our lending growth, combined with reduced losses from historical loans, led to a record level of profit, enabling us to increase our capital and invest further in the long term future of the Society.

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## **Economic background**

The UK economy continued to show signs of resilience last year although the rate of growth slowed in 2017<sup>1</sup>, as uncertainty remains, ahead of the UK's exit from the EU. Globally, however, the outlook broadly strengthened.

The US Federal Reserve has gradually increased interest rates, citing strong prospects for economic growth and rising employment. Within the Eurozone, activity also picked up and the European Central Bank announced it will begin to scale back its financial stimulus programme this year.

UK unemployment was 4.4% in the three months to December<sup>2</sup>. However, CPI inflation reached 3.1%<sup>3</sup> and is expected to remain above the Bank of England's 2% target until 2020<sup>4</sup>, which will put pressure on disposable income over the medium term.

In November the Bank of England responded to positive economic data by reversing the cut made to Bank Base Rate in the wake of the vote to leave the EU, raising it back to 0.50%.

Competition in the mortgage market intensified, which resulted in further reductions to average new mortgage rates during 2017<sup>5</sup>. This has been good news for borrowers as the cost of servicing mortgage debt for households is now lower than at any time since the early 1990s<sup>6</sup>.

Gross mortgage lending in the UK reached £257 billion<sup>7</sup>, up 4% year on year, and while the pace of house price inflation slowed in 2017, it remained positive. The Halifax House Price Index grew 2.7% in the year to December, compared to 6.5% a year earlier<sup>8</sup>.

Market rates paid to savers also fell in 2017 but we continued to support our savings members, paying on average 0.63%<sup>9</sup> more to savers than our competitors.

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## Regulation and industry developments

In December 2017, the Basel Committee published the final requirements for the next phase of prudential regulation, setting out a number of further refinements to global capital and liquidity requirements. We will continue to prepare for the changes, which we expect to be implemented over the next few years.

Earlier this year, the revised Payment Services Directive came into effect to enhance protection for customers and promote a level playing field for payment service providers. Where applicable, we have taken the necessary steps to meet the new rules.

Over the coming years, the impact of leaving the EU will become clearer. However, we do not expect any significant UK regulatory changes as the Government negotiates exit terms. We will continue to monitor any developments and how these may affect the Society or members.

The Financial Conduct Authority (FCA) is carrying out an in-depth mortgage market study, to assess customers' abilities to make effective decisions on the right products and services for them. The outcome of the review is expected in spring this year.

The General Data Protection Regulation comes into force in May. This will strengthen the data protection framework across the EU and provide consumers with greater control over their personal data. We are preparing for these changes and taking the necessary steps to comply with the new rules.

As part of the EU's Bank Recovery and Resolution Directive, the final framework and policies for setting Minimum Requirement for Own Funds and Eligible Liabilities (MREL) have been published by the Bank of England. This will require relevant banks and building societies to hold additional loss absorbing capital and this has been factored into our future plans, to ensure we are well positioned to meet the requirements.

## Summary

During 2018, we anticipate that competition in the mortgage market will intensify and uncertainty around leaving the EU will continue.

Nonetheless, our strong performance over many years means that we expect to continue to grow in a measured way and invest in the long term future of the Society for the benefit of all our members.

Our Society would not be successful without our dedicated colleagues who work so hard to deliver excellent service. On behalf of the Board, I would like to thank them and you, our members, for choosing Leeds Building Society.

**Robin Ashton**  
**Chairman**

**27 February 2018**

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1. Source: Office for National Statistics – GDP in 2017 was 1.8% (vs. 1.9% in 2016)
  2. Source: Office for National Statistics – ILO Unemployment rate October – December 2017
  3. Source: Bank of England – CPI inflation, November 2017
  4. Source: Bank of England – December 2017 Inflation Report inflation projections
  5. Source: Bank of England – Average effective interest rates on new individual mortgages
  6. Source: Bank of England – Aggregate household debt-servicing ratio- defined as interest payments plus regular mortgage principal repayments as a share of household disposable income
  7. Source: UK Finance – Gross mortgage lending estimate for the 12 months up to December 2017
  8. Source: Halifax HPI, Annual change as at December 2017
  9. Source: CACI CSDB, Stock, January 2017- December 2017, latest data available. CACI is an independent company that provides financial services benchmarking data and covers 86% of the high street cash savings market.

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# 2017 highlights with our CEO

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Year ended  
31 December 2017

I'm delighted to report that we've once again delivered on our mission to help people save and have the home they want. Savings and mortgage balances, membership numbers and assets are all at record levels as we continue to grow sustainably and invest for the long term benefit of the Society.

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## Supporting the aspirations of savers and borrowers

As a member owned building society, we work hard to balance the needs of both savers and borrowers, and during 2017 we took a number of actions to deliver this.

In October last year, we increased the current minimum rate we pay all our saving members<sup>1</sup> to 0.50%. This was at a time when many of our competitors were cutting rates and prior to the Bank of England increasing Base Rate for the first time in over a decade. We were also the only high

street financial services provider to pay this minimum rate across both ISAs and non-ISAs.

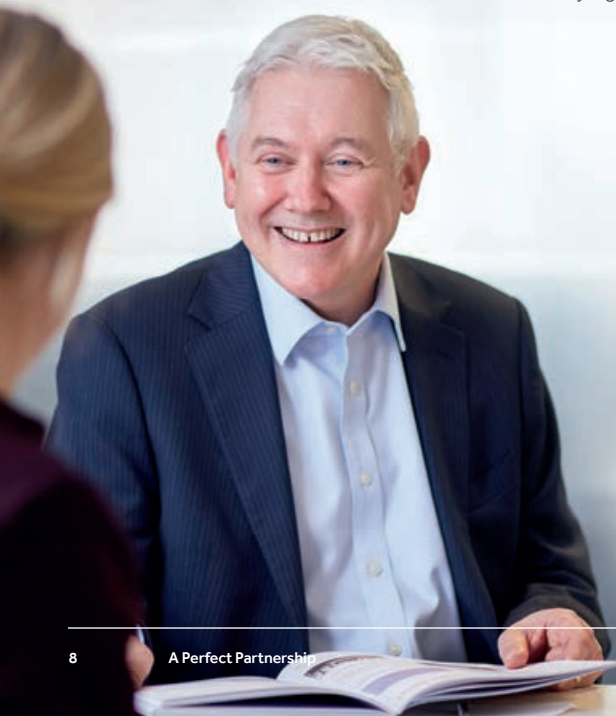
As a result, we paid an average 1.33% to our savers compared to the rest of market average of 0.70%<sup>2</sup>, which equates to an annual benefit to our savers of £75 million. Our support for savers was recognised with the 'Best Building Society Savings Provider' award for the second year running from the independent comparison site, Moneyfacts.

Competition in the mortgage market meant average new mortgage rates reduced during 2017. Our excellent savings performance enabled us to keep growing our mortgage lending and focus on mainstream borrowers as well as those who are not well served by the wider market.

We increased our mortgage market share for the seventh consecutive year and lent more than £4.1 billion across a balanced product range, an increase of 3% compared to a year earlier. We supported key segments such as Shared Ownership, Affordable Housing, Help to Buy and Interest Only, and helped a record 13,000 people buy their first home.

Our consistent approach to supporting borrowers who are less well served by the wider market helped us achieve the accolade of 'Best Shared Ownership Lender' for the second consecutive year from What Mortgage magazine.

Redemptions increased compared to 2016 but our strong performance in gross lending helped deliver 14% growth in residential mortgage balances.





## 2017 key highlights:

### Supporting the aspirations of savers and borrowers

- Helped a record 71,000 more people save for their future – total savings balances now exceed £13bn
- Helped over 50,000 more people have the home they want – total mortgage balances are now £15.2bn
- Total membership now more than 796,000, the highest in our history

### Delivering outstanding personal service

- Independent member surveys show overall customer satisfaction remained high at 91%<sup>5</sup>
- Our colleagues deliver outstanding service to members and score highly for engagement, which increased to 80%<sup>5</sup> in 2017
- Retained our 1\* Best Companies rating, highlighting the Society as an 'employer of choice'

### Continuing financial security

- Savings balances increased by a record £1.9bn
- Strong net mortgage lending of £1.8bn
- Record profit before tax of £120.9m

### Investing in the Society

- Completed full refurbishment of our branch network and secured a new Head Office building that keeps us in the heart of Leeds
- Achieved the Carbon Trust Standard for Carbon for our ongoing commitment to reducing our carbon footprint
- Two exciting partnerships with parkrun and Samaritans to bring communities together and support those in society who may be struggling to cope

### Continuing financial security

Our successful mortgage strategy and improvements made to our underwriting processes have supported sustained lending growth over the past few years which, combined with a further reduction in loss charges, helped us achieve a profit before tax of £120.9 million.

The resilient UK economy and high levels of employment resulted in residential arrears<sup>3</sup> reducing to 0.7% in 2017, which means that fewer than one in every 140 borrowers are experiencing difficulty paying their mortgage. We also continued to manage down our commercial lending portfolio and these loans now represent less than 0.5% of all loans to customers.

A good level of profit is essential to the success of a building society and our profit in 2017 enabled us to increase our capital to £988 million, well above the regulatory minimum requirements.

We have been notified of our indicative Minimum Requirement for Own Funds and Eligible Liabilities (MREL), which will be

phased in on a transitional basis from 2020. We intend to meet our MREL ahead of the regulatory timeframe.

Uncertainty surrounding the UK's exit from the EU remains. We also encountered high levels of competition last year, which we anticipate will continue. This is likely to put some downward pressure on our net interest margin as we move through 2018 into 2019.

However, our robust performance means we're well placed to withstand economic uncertainty, protect our members' money and keep growing sustainably.

### Delivering outstanding personal service

We've made purposeful progress in improving the experience we provide. By working in partnership with our members and brokers, who introduce the majority of our mortgage business, we've seen strong savings and lending growth and high satisfaction scores in 2017.

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# 2017 highlights with our CEO

Year ended  
31 December 2017

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We delivered a number of service enhancements including a new automated eISA process, which cut the average time to transfer tax-free funds into the Society to only three days. This improved customer experience, removed the use of cheques and meant our members earned interest with the Society sooner, and faster than the industry average<sup>4</sup>.

We also improved our online lending affordability and monthly repayment calculators, and launched a new online switching service making it easier for existing borrowers to take a new product with the Society. Our focus on making things simpler has further reduced the amount of time it takes between mortgage application and offer, which means we're helping borrowers into the home they want sooner.

Our online members' forum, TalkingPoint, now has more than 2,700 actively engaged members, who help us make better informed decisions in the long term best interests of current and future members.

Once again, my colleagues delivered excellent service throughout the year and we received the 'Best Building Society – Customer Service' award at

the 20th Annual Personal Finance Awards. I'd like to thank them for their skill and dedication, which has been key to our success in 2017.

## Investing in the Society

Branches continue to play an important role in attracting the retail savings that enable us to grow mortgage lending. We completed a cost-effective refurbishment of all our branches, creating a more modern environment for members and reducing our impact on the environment through energy-efficient technology. This, combined with purchasing renewable electricity, was instrumental in the Society achieving the Carbon Trust Standard for Carbon for our ongoing commitment to reducing the carbon footprint of our operations.

We've also reviewed our network to ensure branches are in areas where there is sufficient demand for a face-to-face service. As a result of detailed research and feedback, we relocated our London branch and successfully opened a new branch in Bournemouth. We'll continue to consider other new sites where appropriate.

However, in line with other banks and building societies, our members are increasingly using multiple branches, telephone and the internet to access our products and services. Use of some locations had declined to an extent they were no longer sustainable and we took the difficult decision to close a small number of branches.

Our focused growth and the number of new jobs we've created over the past five years has meant we've outgrown our Head Office building in Leeds, and we currently operate over three sites in the city centre. We've now secured an office building that keeps us in the heart of Leeds, provides sufficient accommodation for our Leeds-based colleagues and is close to existing transport links. This will make us even more efficient,





reduce the costs associated with operating over multiple sites, and limit our impact on the environment.

We're also continuing to invest in flexible and resilient technology as we strive to meet the changing needs of our members, and further develop our digital and online capability.

Our focus on efficiency enabled us to deliver this investment and control costs, which grew by 4% in line with profit before tax. Our cost to income ratio remained flat, at 43%, and we reduced our cost to mean asset ratio to 0.56%, from 0.62% in 2016.

We'll continue to balance the need to invest in the Society while maintaining a sustainable, low-cost base and we expect these ratios to remain among the best in the building society sector.

This year, I'm also pleased to report we've made excellent progress against our Corporate Responsibility targets, which were first published in December 2016, and we will continue to focus on doing the right thing. Over 50% of our

colleagues volunteered in the community and I commend them for their efforts. I'm also very proud that we're partnering with parkrun, a not-for-profit organisation providing over 650 free weekly running events in communities throughout the UK, and Samaritans, as we aim to raise £250,000 over the next two years to support those who are struggling to cope.

## Outlook

Our performance in 2017 provides clear evidence of how Leeds Building Society continues to deliver on its mission to help people save and have the home they want. Central to this success is our commitment to doing the right thing for our members, colleagues and communities.

Our strong profit has resulted in record retained capital and reserves and further consolidated our financial strength.

Looking forward, we will continue to monitor the implications of the UK's exit from the EU. We expect competition in our core markets will remain high but our focus on efficiency and growth will offset some of the impact of the downward pressure on margin.

We remain committed to delivering our strategy of investing in the long term interests of the Society and sustainable growth for the benefit of you, our members, and I would like to thank you for your continued support in 2017.

**Peter Hill**  
**Chief Executive Officer**

**27 February 2018**

1. As long as the account is operated in line with the Terms and Conditions
2. CACI CSDB, Stock, January 2017 to December 2017, latest data available. CACI is an independent company that provides financial services benchmarking data and covers 86% of the high street cash savings market.
3. 1.5% or more of outstanding mortgage balances
4. Source – Cash ISA Transfer Service – BACS Cash ISA Participation Performance Report
5. Overall customer satisfaction is 91% in a survey of 7,288 members from January – December 2017.
6. According to the Your Voice survey completed by colleagues by colleagues in May 2017.



# Finding ways to make your life easier

We continue to help make things easier for members, so you can get on and enjoy life.

## Working together

Our online members' forum, TalkingPoint, now has more than 2,700 actively engaged members. This is your chance to tell us what really matters to you, knowledge we then use to make our products and services even better. Over two thirds of registered members actively took part in research over the last three months alone, helping the Society to better understand the needs of our members.

## Providing extra support

Some of our members need different types of help. Whether you are dealing with a health issue or are facing difficult circumstances, we have had a specialist team for over a year, ready to help and provide guidance.

Colleagues in the team have received specialised training aimed at supporting our members in difficult situations, such as helping members with disabilities. We've developed a new partnership that helps us provide large print, braille and audio CDs for the hard of hearing. We've also installed member care kits into the branches to provide members with help if visually impaired.

## Helping with your loss

Coping with the loss of a loved one isn't easy, especially if you need to make lots of financial decisions. To help, last year we introduced a new guide for our colleagues to support you at this difficult time.

This includes helpful advice for executors and useful sources of practical information.

## Keeping members happy

In terms of our relationships with you, our members, for the second consecutive year, our overall customer satisfaction score was over 91%<sup>1</sup>.

## Helping us to help you

We've been delighted with the results of our annual colleague survey. The happier and more engaged our colleagues are, the more this helps us provide you with the great service you expect. The results of last year's survey shows colleague engagement has increased for a third year running to 80%<sup>2</sup> – up from 78% in 2016.

By focusing on being an employer of choice, we are attracting more outstanding colleagues to join our teams. This has been recognised by the retention of our 1\* Best Companies rating and our Investors in People accreditation.

In 2017, we also launched our Diversity & Inclusion Strategy, with an ambition 'to have an inclusive culture, which enables colleagues with a diverse range of skills, experiences, backgrounds and opinions to flourish, without barriers'. Having achieved Investors in Diversity in 2016, we are working to achieve Leaders in Diversity status.

1. Overall customer satisfaction is 91% in a survey of 7,288 members from January – December 2017.

2. According to the Your Voice survey completed by colleagues in May 2017.

# Developing partnerships for life

The best relationships need to be nurtured, and ours with members should be no different! This is what we worked on in 2017:

## Saving made easier

Saving money is hard, so last year we did our bit to help. In October we reviewed our entire range of savings accounts. Unlike many of our competitors, we increased the current minimum interest rate we pay all our savings members to 0.5%.

We have also been improving your experience when dealing with us online. We have simplified the online savings application process. So from March 2017 savings accounts can be opened entirely online, from start to finish, rather than having to print and post a form.

We are also helping members by substantially reducing the time it takes to complete ISA transfers, when you choose to move your money. We've now reduced the transfer time to just three days.

## Best in class

Our products continue to win awards.

### 2017

Your Mortgage Awards  
Best Building Society – Mortgage Provider

What Mortgage Awards  
Best Shared Ownership Lender

Moneyfacts  
Best Building Society Savings Provider

Personal Finance Awards  
Best Building Society – Customer Service

### 2018

Best Regular Savings Account Provider  
Savings Champion

## Making home ownership easier

The Society was set up to help people save and have the home they want and we remain fully committed to this. Last year we introduced a series of improvements in the way we offer mortgages, all aimed at making members' lives easier.

### Highlights include:

- Reducing the time it takes from receipt of the application to issue a mortgage offer to under 16 days, down from an average of 19 days in 2016.
- Enabling members to borrow up to 4.75 times their income for home-moves and re-mortgages, when you borrow up to 85% of the total property value.
- Increasing the maximum age at maturity to 85 years old for a buy-to-let mortgage, up from 80 in 2016.
- Introducing a new range of mortgage products to help you buy a second home.

We have also been supporting borrowers who are less well served by the wider market. These include products for First Time Buyers, Shared Ownership, New Builds and Help to Buy schemes.

Another improvement is our new online mortgage affordability calculator. Launched earlier this year, this tool gives customers and brokers clear and helpful information on how much they can borrow.



A weekly parkrun at Gunnersbury quickly became part of Jason's weekly schedule after his wife encouraged him to take up running after 25 years.

"We have made many friends through parkrun. I maintain that only 50% of the parkrun experience is actually running, the other 50% is related to the social/community/volunteer aspect. I can walk down my local high street, in the bustling capital city, and always meet people I have gotten to know via the local parkrun"

Jason Drake



## The power of parkrun

In 2017, we launched our partnership with parkrun. Together, we have been helping people engage with their local community throughout the UK and we're proud to say we've already enjoyed some exciting achievements including:

### **parkrun Together**

In September 2017, we asked runners to bring along a friend to their local parkrun to support community togetherness. We achieved a record-breaking total participation across the month.

### **Community Heroes**

We celebrated the fantastic individuals who have used the power of parkrun to bring genuine benefits to the lives of others. Our Community Heroes support by encouraging new runners and volunteers at weekly parkruns.

### **Events**

We got involved in four events up and down the country in 2017, and look forward to supporting more communities this year.





# Doing business responsibly

We're committed to doing what's right for our members, colleagues and communities.

## Our four responsible business priorities are to:

- Help members save for the future and have the home they want.
- Care for our members and the communities they live in.
- Look after our colleagues and the places they operate.
- Run our business in the long-term interests of our members.

Last year, we published targets in our Annual Report for the first time and we're delighted to say that we are making great progress. In 2017 we:

- Supported 50,279 people to have the home they want.
- Supported 12,944 first time buyers onto the housing ladder.
- Together the Society and its members and colleagues donated over £327,000 to charities and good causes.
- Contributed 4,700 volunteering hours into our communities.

And our members agree just how important this is. Over two thirds of members using TalkingPoint, agreed that the Society is a responsible business.

## Reducing our carbon footprint



The Society is also committed to reducing its environmental impact. By buying renewable electricity, refurbishing our branches and by moving

to our new and more efficient Cobalt office in the North East, we have managed to reduce emissions by 1,130 tonnes between 2016 and 2017.

This is the equivalent to taking over 530 average sized cars off the road! We have also been awarded the prestigious Carbon Trust Standard for Carbon. This mark of excellence demonstrates our ongoing commitment in cutting our carbon footprint.

## Raising money for Samaritans

We've been listening to the views of our members and colleagues, and from 2018 we're delighted to announce that Samaritans has been chosen as our new charity partner. Whatever you're going through, Samaritans provides a safe space to talk. Over the next two years we are aiming to raise £250,000 which will go towards helping those who are in emotional distress or are struggling to cope.



**Members that want to support this partnership can do so through the Society's Your Interest in Theirs scheme. Simply pop into branch or give us a call.**

# Board of Directors

## Key to Board Committees:

- A** Audit Committee
- B** Board Risk Committee
- M** Models and Rating System Committee
- N** Nominations Committee
- R** Remuneration Committee
- O** Committee Chair



**Robin Ashton**  
Chairman  
**N**

**Appointed:** Chairman March 2013 and non executive director April 2011

**Skills, competence and experience:** Robin joined the Board as a non executive director in April 2011 and became Chairman in March 2013. As Chairman, he is responsible for overseeing the performance of the Leeds Building Society Board. He is a strong supporter of the building society sector and the mutual business model, which plays an important role in UK financial services.

Robin is a Chartered Accountant and spent his executive career in retail financial services. He has developed skills and experience, across a broad range of areas, in particular, credit, treasury, audit and accounting.

**Other roles:** Senior independent director of Shawbrook Group plc and its subsidiary Shawbrook Bank Ltd.



**Peter Hill**  
Chief Executive Officer

**Appointed:** August 2011

**Skills, competence and experience:** Peter entered the mutual sector in 2001, joining the Society as a general manager before moving into operations and was appointed Operations Director in 2006. In 2011 he was appointed as Chief Executive Officer and is responsible for developing and proposing the Society's strategy, objectives and plans, as well as maintaining the Society's business model and culture.

Peter brings a breadth of experience and is approaching 40 years in retail financial services, covering a wide range of disciplines. He is an Associate of the Chartered Institute of Bankers and a fellow of the Royal Society of Arts.

**Other roles:** Director of UK Finance and member of the Mortgage Product Board.



**Philippa Brown**  
Non executive director

**Appointed:** January 2013

**Skills, competence and experience:** Philippa joined the Board in January 2013, having over 25 years' experience within the marketing and digital sector, bringing a strong consumer and branding perspective to her role on the Board. She is Chief Executive Officer of a leading UK media agency. Philippa is also a member of the Society's Remuneration Committee.

**Other roles:** Chief Executive Officer of Omnicom Media Group UK Ltd, executive of OMD International Ltd and Phd International Ltd.

**R**



**Richard Fearon**  
Chief Commercial Officer

**Appointed:** February 2016

**Skills, competence and experience:** Richard is responsible for the Society's strategy and direction across customer and digital, product development, as well as direct and intermediary distribution. He is Chair of the Corporate Responsibility Steering Group and Conduct Risk Committee.

After starting his career at Oliver Wyman & Company, he spent 10 years at Lloyds Banking Group in senior roles in the mortgages and savings businesses before joining the Society. Richard's experience has given him an excellent understanding of product development to meet customer needs, as well as strong strategic and commercial skills.



**David Fisher**  
Non executive director

**Appointed:** March 2012

**Skills, competence and experience:** David joined the Board in 2012 and has nearly 30 years' experience within financial services, beginning his career with Halifax Building Society. As Chair of the Board Risk Committee, David's responsibilities include safeguarding the independence of the Compliance and Risk Functions. David is also a member of the Society's Remuneration Committee and Audit Committee.

Prior to joining the Society, he was Chief Executive of Sainsbury's Bank and he also undertakes a number of advisory roles. During his career, he has developed a wealth of knowledge in retail financial services and has a strong understanding of risk management, pensions and human resources.

(B) (A) (R)



**Andrew Greenwood**  
Chief Risk Officer

**Appointed:** January 2015

**Skills, competence and experience:** Andrew joined the Board as Chief Risk Officer in 2015. He started his career as a solicitor in private practice and has worked for the Society since 1998 in a variety of legal, compliance and risk-focused roles. He has developed extensive experience of working in a highly regulated environment. His skills and experience enable him to lead the Risk Division, which comprises a number of specialist teams.

Andrew is responsible for the overall management of the risk control framework of the Society, which includes co-ordinating and managing principal risks and risk appetite.

He reports directly to the Board Risk Committee and attends all of the Society's management risk committees.

(M)



**Gareth Hoskin**  
Non executive director

**Appointed:** November 2015

**Skills, competence and experience:** Gareth has gained extensive experience during his 30 year career in UK and international financial services; as a director of Legal & General plc and Chief Executive Officer of its International Division and previously as a Chartered Accountant at Price Waterhouse.

As Chair of the Audit Committee, his responsibilities include safeguarding the independence of the Internal Audit Function and he is the Society's Whistleblowers' Champion.

**Other roles:** Non executive director, trustee and Audit Committee Chair of Diabetes UK Ltd and advisor to the Board of Green Park Partners Ltd.

(A) (B)



**John Hunt**  
Non executive director

**Appointed:** April 2015

**Skills, competence and experience:** John began his banking career with Yorkshire Bank in Leeds. He has held senior posts in a number of major UK and international banks and was a founder member of the Global Credit Data Consortium.

His areas of particular specialism fall within credit and treasury risk management and he is Chair of the Models and Rating System Committee.

**Other roles:** Director of JCH Associates Ltd.

(M) (B)



**Philip Jenks**  
Non executive director

**Appointed:** March 2012

**Skills, competence and experience:** Philip has over 40 years' experience in the financial services and mortgage industries. He has worked as a consultant for organisations including the Government on housing related projects. Philip has developed a strong understanding in these and other specialist areas including credit, technology and conduct risk management.

**Other roles:** Deputy Chairman of Broadlands Finance Ltd, Charter Court Financial Services Group and its subsidiaries.

B M N



**Robin Litten**  
Chief Financial Officer

**Appointed:** January 2012

**Skills, competence and experience:** Robin joined the Society in 2012 having spent the previous 15 years in the mutual building society sector. He has held senior roles at Barclays Bank, Skipton and Scarborough Building Societies.

Robin plays a key role in ensuring the Society remains financially secure and is able to fund continuing growth and investment for the benefit of its members. He leads the Society's Finance, Treasury and Strategy Functions and is Chair of the Assets and Liabilities Committee.

M



**Lynn McManus**  
Non executive director

**Appointed:** September 2017

**Skills, competence and experience:** Lynn joined the Board in September 2017 bringing over 20 years' experience within financial services.

She has worked within finance, risk, human resources and communications. Her most recent role was at Clydesdale Bank, where she was a member of the executive team. Lynn is a Chartered Management Accountant.

A



**Les Platts**  
Vice Chairman, Senior Independent Director and non executive director

**Appointed:** Vice Chairman and Senior Independent Director March 2014 and non executive director October 2010

**Skills, competence and experience:** Les is a Chartered Accountant and was a Senior Partner for Deloitte in Leeds, where he developed a deep understanding of the auditing and accounting arena. As Chair of the Remuneration Committee, he is responsible for overseeing the development and implementation of the Society's remuneration policies and practices. Through his career, Les has also developed a strong understanding in the fields of enterprise risk and human resources.

**Other roles:** Chairman of A J Bell Holdings Ltd and Honorary Treasurer of Lancashire County Cricket Club.

R A N



**Karen Wint**  
Chief Operating Officer

**Appointed:** November 2012

**Skills, competence and experience:** Karen was appointed to the Board in 2012 with over 30 years of experience within financial services. She is a Chartered Banker and has held senior roles within the Commercial and Operations Divisions.

As Chief Operating Officer, she is responsible for ensuring that the Society has the right people, processes and technology in place to continue to deliver great service and value to its members. That includes continuing to change and update how things are done to meet customer expectations in a rapidly changing world. Karen is Chair of the Operational and Regulatory Risk Committee and is the accountable executive for meeting the Society's targets under the Women in Finance Charter.

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## Summary Financial Statement

**The directors have pleasure in presenting the Summary Financial Statement of the Society and its subsidiaries ('the Group') for the year ended 31 December 2017.**

The Statement is a summary of information published in the audited Annual Accounts, Directors' Report and Annual Business Statement, all of which are available to members and depositors, free of charge, on request at any branch from 20 March 2018, or from the Society's website ([www.leedsbuildingsociety.co.uk](http://www.leedsbuildingsociety.co.uk)). The Independent Auditor's Report on the Society's full Annual Report and Accounts was unqualified.

### Summary Directors' Report

The Summary Directors' Report for the year ended 31 December 2017 comprises the Chairman's Statement on pages 6 and 7, and the Chief Executive Officer's Review on pages 8 to 11.

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be adopted in preparing the Annual Report and Accounts.

**Approved by the Board of Directors on 27 February 2018 and signed on its behalf by:**

**Robin Ashton**  
Chairman

**Peter Hill**  
Chief Executive Officer

**Robin Litten**  
Chief Financial Officer

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## Notes to Summary Financial Statement

### 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 holders of shares and borrowings. The Group's capital consists of profits accumulated over many years in the form of general reserves together with other reserves, revaluation reserves, subordinated liabilities and subscribed capital which cannot be repaid in priority to ordinary investors. Capital provides a financial cushion against difficulties that 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 the proportion that the Group's assets held in the form of cash, short term deposits and other securities bears to the Group's shares and borrowings. Liquid assets are generally readily realisable, enabling the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

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

The profit/assets ratio measures the proportion that the Group's profit after taxation for the year bears to the average of the Group's total assets during the year. The Group needs to make a sufficient profit each year in order to maintain its capital ratios at a suitable level to protect investors.

### Management expenses as a percentage of mean total assets (cost to mean asset ratio)

The management expenses ratio measures the proportion that the Group's administrative expenses bear to the average of the Group's total assets during the year. Management (or administrative) expenses consist mainly of the costs of employing staff, running the Group's branches, information technology costs, advertising and other office costs. Expenses need to be controlled so that the Group operates as efficiently as possible while providing the service that members require.

# Summary Financial Statement

<b>Results for the year 2017</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Net interest receivable	213.2	201.8
Other income and charges	9.1	11.5
Fair value gains less losses on financial instruments	(1.3)	(1.3)
Administrative expenses	(95.5)	(91.9)
Impairment gains on loans and advances to customers	5.5	0.9
Impairment losses on intangible assets	(5.6)	–
Impairment losses on property, plant and equipment	(0.9)	(0.5)
Provisions for liabilities and charges	(3.6)	(3.9)
<b>Operating profit and profit before tax</b>	<b>120.9</b>	<b>116.6</b>
Taxation	(32.9)	(30.6)
<b>Profit for the year</b>	<b>88.0</b>	<b>86.0</b>
<b>Financial position at the end of the year</b>		
<b>Assets:</b>		
Liquid assets	2,730.3	1,904.0
Mortgages	14,975.3	13,225.8
Other loans	247.7	251.9
Derivative financial instruments	258.5	263.1
Fixed and other assets	272.2	284.9
<b>Total assets</b>	<b>18,484.0</b>	<b>15,929.7</b>
<b>Liabilities and equity</b>		
Shares	13,065.7	11,233.2
Borrowings	4,061.6	3,400.8
Other liabilities	210.8	182.0
Derivative financial instruments	161.9	214.4
Subscribed capital	25.0	25.0
Equity	959.0	874.3
<b>Total liabilities and equity</b>	<b>18,484.0</b>	<b>15,929.7</b>
<b>Summary of key financial ratios</b>		
Gross capital as a percentage of shares and borrowings	5.73%	6.11%
Liquid assets as a percentage of shares and borrowings	15.94%	13.01%
Profit for the financial year as a percentage of mean total assets	0.51%	0.58%
Management expenses as a percentage of mean total assets	0.56%	0.62%

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# Summary Financial Statement

## Independent Auditor's Statement on Summary Financial Statement

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### **Independent auditor's statement to the members and depositors of Leeds Building Society**

We have examined the summary financial statement for the year ended 31 December 2017 which comprises the results for the year, financial position at the end of the year and summary of key financial ratios together with the summary Directors' Report.

This report is made solely to the Society's members, as a body, in accordance with section 76(5) of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report 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, for our audit work, for this report, for our audit report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

The directors are responsible for preparing the Summary Annual Report containing the Summary Financial Statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within this booklet with the Full Annual Report and 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.

We also read the other information contained in the booklet as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

We conducted our work in accordance with Bulletin 2008/3 'The auditor's statement on the summary financial statement in the United Kingdom' issued by the Auditing Practices Board. Our report on the Society's full Annual Report describes the basis of our audit opinion on those financial statements.

### **Opinion on Summary Financial Statement**

In our opinion the summary financial statement is consistent with the full Annual Report and Accounts, the Annual Business Statement and Directors' Report of Leeds Building Society for the year ended 31 December 2017 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

**Deloitte LLP**  
**Chartered Accountants and Statutory Auditor**  
**Leeds, United Kingdom**

**27 February 2018**

# Directors' Remuneration Report

Dear member

I am pleased to present the 2017 Directors' Remuneration Report, produced in compliance with the FCA dual-regulated firms Remuneration Code. It details our Annual Report on Remuneration for our executive directors, non executive directors and Material Risk Takers, for the year ended 31 December 2017.

The report is presented in two sections:

- The Remuneration Policy (pages 26 to 29) which explains how we will pay executive directors. The revised Policy will apply from the date of the Annual General Meeting (AGM) in 2018, subject to consideration of the outcome of the Ordinary Resolution.
- The Annual Report on Remuneration (pages 30 to 31), which explains how we put our existing policy into practice in 2017 and how we intend to implement our new policy in 2018.

Our members will have the opportunity to vote, on an advisory basis, on the Remuneration Policy and 2017 Directors' Remuneration Report at the AGM.

## Revised Remuneration Policy for 2018

The Prudential Regulation Authority considers a firm's size, internal organisation and the nature, scope and complexity of its activities when determining which Remuneration Code rules are applicable to a firm. As a result of our consistent and sustainable growth, additional regulations have to be applied to remuneration awarded from 2018 onwards. We have, therefore, reviewed our Remuneration Policy for executive directors to ensure their compensation is constructed to reward behaviours and performance appropriate to our long term strategy and to be compliant with relevant regulations.

The Remuneration Committee believes that the balance of performance measures in the existing single variable pay arrangement, which include team based and individual performance indicators, typically focused on financial, customer and colleague metrics, has worked well and should be retained. However, the opportunity has been taken to reduce the maximum bonus potential from 75% to 50%, reducing the incentive to take undue risk to achieve higher variable pay, in line with our customer ethos and mutual model. Target performance will yield a payment of 36% of base salary (formerly 51%).

To ensure the overall remuneration package remains competitive, basic pay has been increased from 1 January 2018 by around 12% for the executive directors, with the exception of the Chief Risk Officer, who already has maximum variable pay of 50% of basic salary. The salary adjustments take into account the arrangements of the new schemes, detailed below.

The key features of our proposed policy from 2018, set out in full on pages 26 to 29, are:

- Maximum variable pay of 50% of basic salary for all executive directors.

- 60% of the variable pay of the Chief Executive Officer and Chief Financial Officer will be subject to deferral and will vest pro-rata over a period of seven years, with no vesting until three years after the award is made. 50% of each element of variable pay will be delivered using a share-like instrument (explained in more detail on page 26), which will be retained for a further 12 months, post-vesting.
- 40% of the variable pay of the Chief Commercial Officer, Chief Operating Officer and Chief Risk Officer will be subject to deferral and will vest pro-rata over a period of three years.
- The variable pay for all executive directors is subject to risk assessment. Deferred awards will be subject to the application of malus, whilst paid awards for the Chief Executive Officer and Chief Financial Officer will be subject to clawback for up to seven years from the date of payment in appropriate circumstances (and up to ten years in specific conditions).

For 2018, the Committee has agreed the performance measures for the executive directors' variable remuneration, which are aligned to our short and long term strategy and objectives. The financial metric relates to our profit objective, providing security to our members. The priorities which will be remunerated under the performance element are designed to support our strategy and culture and include customer experience, colleague engagement, our mortgage lending and broker satisfaction aspirations and cost management. Each executive director is also set personal objectives relevant to their individual responsibilities. In line with our continuing commitment to the Women in Finance Charter and our people agenda, each executive director has a personal objective related to the implementation of our diversity and inclusion strategy.

## 2017 performance and awards

The Board supports the Society's ambitious strategy, designed to ensure we have a prosperous, sustainable business, focused on meeting our members' needs. For 2017, the Board set six corporate priorities for executive directors, related to profit, customer satisfaction, colleague engagement, sustainable growth, segmented mortgage lending and cost management.

Earlier sections of the magazine have explained we have delivered a strong financial performance. In 2017, we achieved profit before tax of £120.9 million (2016: £116.6 million), which was significantly ahead of our target of £96.4 million. No significant conduct or prudential issues have arisen relating to profit incentivisation.

During the year, a focus for the executive directors has been the sustainable growth of our quality lending and ensuring we are using our expertise for the benefit of our members, by having a broad product range. We have delivered net lending of £1.8 billion (2016: £1.9 billion). The Committee is satisfied this has been achieved at an appropriate margin, within our agreed risk appetite, was balanced with the delivery of other priorities and is as a result of strong management performance.



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# Directors' Remuneration Report

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In 2017, we wanted to continue our journey of delivering outstanding service to all our members and our customer satisfaction measure is 91%, which was above plan, but still leaves us with more we want to do. It remains a key priority for us to meet our members' changing expectations, understandably interconnected with our online capability, which continues to be challenging.

Our colleagues continue to work hard and deliver consistently, giving members a great experience. We have retained our Best Companies accreditation and our colleague engagement increased to 80% (2016: 78%).

The long term sustainability of the business is vital to the Board and the Society has further matured its risk management approach. A focus for 2017 has been a more effective use of our resources and, as a result, we have delivered more cost savings than planned, through targeted efficiencies.

The Remuneration Committee has considered the performance of the organisation and the executive directors in detail, taking into account the areas of strong performance and those elements where we had hoped to do better.

As a result, annual bonuses of between 42.7% and 66.1% have been awarded to the executive directors, which represents between 84% and 88% of the maximum award available. 40% of the bonus awards will be deferred and paid in equal instalments over the next three years.

A full risk assessment process is undertaken, during which the Remuneration Committee considers a range of factors and input from the Board Risk Committee. This includes whether the executive directors have operated within the Society's agreed risk appetite, the exposure of the business to any significant regulatory or control failings and any financial exposure arising from inappropriate management behaviour. The risk assessment process determined that the Remuneration Committee should assess whether an adjustment was required. Following full consideration, no adjustment was applied.

In April 2017, following external benchmarking and as reported last year, the Remuneration Committee agreed salary increases of 14.7% for the Chief Risk Officer, 12.2% for the Chief Operating Officer and 4.0% for the Chief Commercial Officer. The salaries of other executive directors increased by 2.0%, as did the Chairman's fee. The basic salary increase for other colleagues ranged from 0% to 4%, with an average of 2.3%.

A small number of other colleagues, who are senior managers whose actions can have a material impact on the risk profile of the Society, are considered to be Material Risk Takers. The average salary increase for this group in 2017 was 4.8%.

## Other matters considered by the Remuneration Committee

The key focus of the Remuneration Committee is to set our Remuneration Policy including pay, variable remuneration and other benefits for executive directors and Material Risk Takers. Our aim is to maintain market competitive salaries and other benefits, recognising the responsibility placed on our senior people in respect of the Society's long term future. This is to ensure we are able to attract and retain the appropriate talent to deliver our goals.

I chair the Remuneration Committee which has had two other non executive director members in 2017: David Fisher and Philippa Brown. The membership has been increased from January 2018, with Lynn McManus and Gareth Hoskin joining the Committee to provide succession planning. The Chairman, Chief Executive Officer and other senior managers may be invited to attend meetings, but are not members. Our Director of People, Becky Hewitt, is the Committee Secretary.

There were four meetings in 2017, dealing with the review of compliance with the Remuneration Code, the setting and review of performance against objectives, considering the underlying measures of success for the annual schemes, Gender Pay Gap reporting and the oversight of reward for the general colleague population. In addition to the review of variable and fixed remuneration for executive directors, the Committee reviewed the Service Agreements of the executive directors to ensure they remain compliant with current legal requirements and market conditions. As a result of this, the Committee has extended the policy on payment for loss of office to include pension benefits, as well as basic salary, for good leavers (page 29).

## Summary

I trust you will find this report helpful and informative. The Remuneration Committee recommends that members vote in favour of the 2017 Directors' Remuneration Report and Remuneration Policy at the AGM.

**Les Platts**  
**Chair of the Remuneration Committee**  
**27 February 2018**

# Directors' Remuneration Report

## Directors' Remuneration Policy

The Society's Remuneration Policy is designed to provide value for members, provide competitive remuneration packages which support the long term interests of the Society and which attract, reward and retain talented colleagues, to enable the delivery of business objectives to support the Society's strategy.

## Components of remuneration

The following table summarises the principal components of the executive directors' total remuneration and the way they operate with effect from 1 January 2018. Details which are commercially sensitive have not been provided, but performance against target is disclosed. The table below shows the key elements of remuneration for executive directors and the reasons for their inclusion.

Element of pay	Link to strategy	Operation	Performance measures	Minimum and maximum payable
Basic salary	<p>Reflects level of accountability.</p> <p>Provides ability to attract and retain executives through market competitive rates of pay.</p>	<p>Once set, any future increases are linked to personal performance and market benchmarking.</p> <p>Basic salaries are based on assessments of individual performance and by comparisons with roles carrying similar responsibilities, in organisations of a comparable size, complexity and diversity to the Society.</p>	<p>As for all colleagues, increases are based on personal performance.</p>	<p>Whilst there is no specified maximum, the basic salaries of executive directors are reviewed as for any other colleague in accordance with the standard award matrix. The only exceptions are:</p> <p>(i) If benchmarking identifies remuneration is moving out of line with an appropriate peer group, from time to time the Committee may decide to operate outside the standard matrix.</p> <p>(ii) There is a material increase in scope or responsibility to the executive director's role.</p>
Annual bonus scheme	<p>Linked to the delivery of the annual business plan targets, including the achievement of strategic objectives and personal objectives and links to the success factors in the ten year vision.</p>	<p>Challenging performance objectives are aligned with our Corporate Plan, recognising short, medium and long term goals.</p> <p>The performance of the executive directors is assessed against a scorecard of measures, to ensure significant reward cannot be achieved by the delivery of high performance in one area, to the detriment of another.</p> <p>Robust risk evaluation measures are independently assessed by the Chief Risk Officer and the Board Risk Committee, with measures for the Chief Risk Officer assessed by an independent senior manager.</p>	<p>The 50% maximum is split between: Financial – 17% Performance – 17% Personal – 16%.</p> <p>The financial measure is based on profit.</p> <p>Performance measures are set at the start of each year and include sustainable growth, delivering outstanding service to all our members and colleague engagement.</p> <p>Personal performance objectives, appropriate to the responsibilities of the director, are set at the start of each year and agreed by the Remuneration Committee.</p> <p>The 50% maximum for executive directors in a control function is based on a range of personal objectives only.</p>	<p>Maximum of 50% of basic salary payable.</p> <p>For executive directors designated as 'Senior Managers' under the Senior Manager Regime and over the de-minimis<sup>(1)</sup>, 60% of the bonus will be deferred, over a period of seven years with no vesting until three years after the award is made. 50% of variable will be delivered in a share-like instrument.<sup>(2)</sup></p> <p>For executive directors designated as 'Senior Managers' under the Senior Manager Regime and below the de-minimis, 40% of the bonus will be deferred over three years. Should the de-minimis requirements be exceeded in year, the relevant additional deferral and use of the share-like instrument will be applied. Minimum is 0% of basic salary.</p>

(1) The de-minimis limit level is set by regulation, in relation to the level of bonus deferral applied, and impacts colleagues whose total remuneration is greater than £500,000 per annum and/or where variable remuneration is more than 33% of their total remuneration.

(2) Where remuneration exceeds the de-minimis, 50% of the variable remuneration award will be paid in an instrument and 50% will be paid in cash. As a mutual organisation this means that 50% of the award payable in each year will be held and retained for a further 12 months and which can be written down in value if agreed capital levels are not maintained. The instrument cannot increase in value or attract interest payments during the deferral and retention periods.

# Directors' Remuneration Report

Element of pay	Link to strategy	Operation	Performance measures	Minimum and maximum payable
Operation of malus and clawback <sup>(3)</sup>	Deferred element has been introduced in compliance with applicable regulations and ensures the annual performance creates value sustained over the longer term.	Independent assessment takes place prior to the payment of each deferred award, which provides the Remuneration Committee with the rationale to make a reduction in the level of award payable (down to zero), if appropriate. The assessment takes into account the following three key matters: <ul style="list-style-type: none"> <li>• has management operated within the risk appetite of the business?</li> <li>• has the business been exposed to any significant regulatory or control failings?</li> <li>• has there been any financial exposure after the award has been made due to inappropriate management behaviour?</li> </ul>	Not applicable.	Maximum 100% of the deferred bonus awards are subject to malus. Clawback will be applied as required by regulation.
Pension	Provides market competitive remuneration.	Based on membership of the Society's defined contribution section of the pension scheme. In appropriate circumstances, for example where contributions exceed the annual or lifetime allowance, there is an option to receive a monthly cash allowance in lieu of pension contributions.	Not applicable.	A range of relevant employer contributions, for example for those aged 53 and over up to 23% of basic salary.  Cash allowance is in lieu of employer contributions, up to 23% of basic salary.
Benefits	Provides market competitive remuneration.	The principal benefits executive directors receive are: <ul style="list-style-type: none"> <li>• life assurance</li> <li>• private medical insurance</li> <li>• long term health insurance</li> <li>• cash health plan.</li> </ul> Other benefits may be provided based on individual circumstances, for example, relocation.	Not applicable.	Life assurance (up to 4 x basic salary).  Other benefits are set at an appropriate level in line with market practice.

(3) The Remuneration Committee may apply discretion to reduce bonus awards in whole or part. The circumstances in which this might be applied include: issues with colleague behaviour or material error; where a business unit in which a colleague is engaged suffers a material downturn, a material failure of risk management, reasonable evidence of fraud or dishonesty or misstatement of audited results.

Malus – is a reduction factor which is applied to bonus payments which have not yet vested.

Clawback – is applied to seek recovery of bonus payments already paid.

# Directors' Remuneration Report

## Policy for non executive directors

Element of pay	Link to strategy	Operation	Performance measures	Minimum and maximum payable
Fees	Reflects level of responsibilities and time commitment required for Board and Board subcommittee meetings.	<p>Fees are reviewed annually with recommendations made to the Board by executive directors.</p> <p>Non executive directors receive a basic fee and an additional fee for chairing a committee.</p> <p>Fee levels are benchmarked against other financial services organisations.</p>	Not applicable.	<p>The fees of non executive directors are reviewed by the executive directors as for any other colleague in accordance with the standard award matrix.</p> <p>The only exceptions are:</p> <p>(i) If benchmarking identifies remuneration is moving out of line with an appropriate peer group, from time to time the Board may decide to operate outside the standard matrix.</p> <p>(ii) There is a material change in responsibility to the non executive director's role.</p>
Annual bonus scheme	Not eligible.			
Pension	Not eligible.			
Benefits		Reimbursement is made for travel expenses for attending meetings and, where tax liability arises, this will be covered by the Society.		

## Approach to recruitment remuneration for executive directors

Component	Policy
General	<p>The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract appropriate candidates to the role. A new recruit may be appointed on lower than market rate salary with phased increases to bring to market level.</p> <p>Any new executive director's package will be consistent with our Remuneration Policy, as set out in this report. The Remuneration Policy is compliant with the provisions of the Remuneration Code.</p> <p>Where an executive director is appointed internally, all previous commitments relating to remuneration will be honoured, subject to meeting the relevant criteria.</p>
Basic salary and benefits	<p>The salary level will be set taking into account the responsibilities of the individual and by comparison with roles carrying similar responsibilities, in organisations of a comparable size, complexity and diversity to the Society.</p> <p>The executive director will be eligible to receive benefits as set out in the Remuneration Policy table.</p>
Annual bonus	The executive director will be eligible to participate in the annual bonus scheme as set out in the Remuneration Policy table. The bonus award will be pro-rata relative to the number of complete months worked during that year.
Pension	The executive director will be able to participate in the defined contribution section of the pension scheme or to receive a cash allowance of up to a maximum of 23% of basic salary.

# Directors' Remuneration Report

Component	Policy
Replacement awards	<p>When replacement awards cannot be avoided, the Committee will structure any such awards so that, overall, they are no more generous in terms of quantum or vesting period than the awards due to be forfeited.</p> <p>In determining the quantum and structure of these commitments, the Committee will seek to replicate the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone.</p>
Recruitment remuneration	<p>Any payments made to executive directors on joining the Society to compensate them for forfeited remuneration from their previous employer will be compliant with the provisions of the PRA Rulebook and the FCA Dual-Regulated Firms Remuneration Code.</p>

## Service contracts

Executive directors' terms and conditions of employment, including details of remuneration, are detailed in their individual service agreements, which include a notice period of twelve months.

The standard contract is available to view at the Society's Head Office.

None of the executive directors currently holds any paid external directorships.

The non executive directors do not have service contracts with the Society.

## Policy on payment for loss of office

Component	Policy
General	<p>When determining any loss of office payment for a departing individual, the Committee will seek to minimise costs to the Society whilst seeking to reflect the circumstances in place at the time. Accordingly, the Committee retains overriding judgement to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.</p>
Basic salary and benefits	<p>In the event of termination by the Society, there will be no compensation for loss of office due to misconduct or poor performance. In other circumstances, executive directors may be entitled to receive compensation for loss of office. Such payments will be based on the monthly salary and pension contributions that the executive would have received if still in employment with the Society. Executive directors are expected to mitigate compensation for loss of office in appropriate circumstances.</p>
Annual bonus	<p>Where an executive director's employment is terminated during or after the end of a performance year but before the payment is made, the executive may be eligible for a pro-rated annual bonus for that performance year, subject to an assessment based on performance achieved over the period and subject to risk adjustment. No award will be made in the event of misconduct.</p> <p>Where an executive director leaves the Society after an award is made, deferred payments will remain payable, subject to the normal rules of the scheme, including risk adjustment.</p> <p>The Remuneration Committee has the right to exercise judgement to the level of any of the above awards.</p>

# Directors' Remuneration Report

## Annual Report on Remuneration

### Total remuneration summary

The total remuneration received by executive directors for 2017 is detailed below, compared with 2016. The total remuneration for executive directors equates to 2.1% of profits before tax (2016: 2.0%). This information has been audited and shows remuneration for the years ending 31 December 2016 and 31 December 2017, as required to be reported under the Building Societies (Accounts and Related Provisions) Regulations 1998.

The awards made in respect of performance in 2017 are in line with the 2017 Remuneration Policy, with a maximum variable pay of 75% for executive directors, with the exception of the Chief Risk Officer, at 50%. Full details of the 2017 Remuneration Policy are available in the 2016 Report and Accounts.

The Chief Executive Officer is the Society's highest paid colleague and no colleague earns more than any executive director. As the Society is a mutual organisation, it has no share capital and, therefore, does not offer share based remuneration to executive directors or colleagues.

### 2017 audited

Executive directors	Salary	Annual bonus	Pension	Loss of office	Total remuneration
	£'000	£'000	£'000	£'000	£'000
P A Hill	406	266	93 <sup>(1)</sup>	–	765
R S P Litten	272	176	63 <sup>(1)</sup>	–	511
K R Wint	229	148	46 <sup>(1)</sup>	–	423
A J Greenwood	262	116	53 <sup>(1)</sup>	–	431
R G Fearon <sup>(2)</sup>	238	158	39 <sup>(1)</sup>	–	435
Total remuneration <sup>(3)</sup>	<b>1,407</b>	<b>864</b>	<b>284</b>	<b>–</b>	<b>2,565</b>

### 2016 audited

Executive directors	Salary	Annual bonus	Pension	Loss of office	Total remuneration
	£'000	£'000	£'000	£'000	£'000
P A Hill	387	252	89 <sup>(1)</sup>	–	728
R S P Litten	267	168	58 <sup>(1)</sup>	–	493
K R Wint	208	130	42 <sup>(1)</sup>	–	380
A J Greenwood	233	94	57 <sup>(1)</sup>	–	384
R G Fearon <sup>(2)</sup>	198	124	34	–	356
Total remuneration <sup>(3)</sup>	<b>1,293</b>	<b>768</b>	<b>280</b>	<b>–</b>	<b>2,341</b>

### Notes

(1) These directors elected to receive part or all of the Society's pension contribution as a cash allowance.

(2) This director was appointed on 19 February 2016.

(3) No director received other taxable benefits of £1,000 or above.

### Performance outcomes against targets for incentive awards

The 2017 scheme has generated awards of between 42.7% and 66.1% (2016: 39.6% and 64.7%) of salary for executive directors, reflecting between 84% and 88% (2016: 79% and 86%) of the maximum award available.

The 2017 scheme provides for:

- Financial performance measures (max. 25% opportunity, with 8% of this for superior performance).
- Corporate performance measures (max. 25% opportunity, with 8% of this for superior performance).
- Personal performance measures (max. 25% opportunity, with 8% of this for superior performance).

For executive directors in control functions, the scheme provides for:

- Personal performance measures (max. 50% opportunity, with 15% of this for superior performance).

# Directors' Remuneration Report

## Pensions and other benefits

P A Hill, R S P Litten and A J Greenwood are deferred members of the defined contribution section of the pension scheme and have opted for a cash allowance in lieu of the Society's pension contribution. A J Greenwood is also a deferred member of the defined benefit section of the pension scheme. K R Wint and R G Fearon opted to receive pension benefits as part contributions to the defined contribution section of the pension scheme and part cash allowance in lieu of the Society's pension contribution.

No executive director has the right or opportunity to receive enhanced benefits beyond those already disclosed, and the Committee has not exercised its discretion during the year to enhance benefits. Executive directors may be entitled to receive compensation for loss of office. Such payments will be based on the monthly salary and pension contributions that the executive would have received if still in employment with the Society.

## Long term incentive awards made in the financial year

There were no long term incentive awards made in the financial year.

## Payments to former directors

A payment of £40,078 has been made in 2017 to K L Rebecchi, the former Distribution and Marketing Director who left the business on 30 June 2015. This payment is in respect of an incentive award which was subject to deferral and risk assessment. The Committee determined that no risk adjustment was appropriate.

## Remuneration for non executive directors

The fees for non executive directors are made up of a basic fee, plus a committee chair fee, as appropriate. The Chairman and Vice Chairman do not receive additional fees for roles carried out other than that of Chairman and Vice Chairman respectively.

Non executive directors	Basic fees		Benefits <sup>(1)</sup>		Committee chair fees		Total	
	2016 (£'000s)	2017 (£'000s)	2016 (£'000s)	2017 (£'000s)	2016 (£'000s)	2017 (£'000s)	2016 (£'000s)	2017 (£'000s)
R J Ashton (Chairman)	141	143	8	7	–	–	149	150
L M Platts (Vice Chairman)	62	63	4	2	–	–	66	65
P A Brown	46	47	3	4	–	–	49	51
S Cooklin <sup>(2)</sup>	46	12	3	7	–	–	49	19
D Fisher	46	47	–	–	15	16	61	63
G Hoskin	46	47	4	4	10	15	60	66
J A Hunt	46	47	4	3	10	10	60	60
P A Jenks	46	47	–	–	3	–	49	47
L R McManus <sup>(3)</sup>	–	16	–	1	–	–	–	17
<b>Total</b>	<b>479</b>	<b>469</b>	<b>26</b>	<b>28</b>	<b>38</b>	<b>41</b>	<b>543</b>	<b>538</b>

### Notes

(1) In addition to the payment of fees, non executive directors are reimbursed for travel expenses for attending meetings and where tax liability arises, this will be covered by the Society.

(2) This director stepped down on 6 April 2017.

(3) This director was appointed on 1 September 2017.

In 2017, an increase of 2% was agreed for the Chairman to £144,177 with effect from 1 April 2017. The fee for the Vice Chairman was increased by 2% to £63,800 and the basic non executive director's fee was increased by 2% to £47,250. The committee chair fee was increased by 2.2%.

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# Notice of Annual General Meeting

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Year ended  
31 December 2017

**Notice is given that the 143rd Annual General Meeting of the members of Leeds Building Society will be held on Thursday 12 April 2018 at the Howard Assembly Room, Leeds Grand Theatre, 46 New Briggate, Leeds LS1 6NZ at 11am for the following purposes:**

1. To receive the Directors' Report, Annual Accounts, Annual Business Statement and Auditors' Report for the year ended 31 December 2017.
2. To consider and if thought fit, pass an Ordinary Resolution to re-appoint Deloitte LLP as Auditors until the conclusion of the next Annual General Meeting.
3. To consider and if thought fit, pass an Ordinary Resolution to approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 December 2017.
4. To consider and if thought fit, pass an Ordinary Resolution to approve the Directors' Remuneration Policy (as contained in the Directors' Remuneration Report), to apply with effect from the date of the 2018 Annual General Meeting.
5. To consider and if thought fit, elect/re-elect the following as directors:
  - (a) to elect Lynn Reston McManus;
  - (b) to re-elect Robin James Ashton;
  - (c) to re-elect Philippa Anne Brown;
  - (d) to re-elect Richard Guy Fearon;
  - (e) to re-elect David Fisher;
  - (f) to re-elect Andrew John Greenwood;
  - (g) to re-elect Peter Anthony Hill;
  - (h) to re-elect Gareth John Hoskin;
  - (i) to re-elect John Anthony Hunt;
  - (j) to re-elect Philip Anthony Jenks;
  - (k) to re-elect Robin Stephen Patrick Litten;
  - (l) to re-elect Leslie Michael Platts;
  - (m) to re-elect Karen Rita Wint.

By Order of the Board

**Katherine Tong**  
**Director of Legal and Compliance and Secretary**  
**27 February 2018**

## Notes

1. *These Notes form part of the Notice of the Meeting.*
2. *Under the Society's Rules, a member entitled to attend the Meeting and vote may appoint a representative to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your representative and your representative does not need to be a member of the Society. Your representative may vote for you at the Meeting but only on a poll.*
3. *You can instruct your representative how to vote at the Meeting. Please read the instructions on the Voting Form.*
4. *You are entitled to vote if:*

**Age:** *you are at least 18 on 12 April 2018, and*

**Membership:** *you (a) had a shareholding in the Society of at least £100 on 31 December 2017 or*

*(b) owed at least £100 to the Society on a mortgage loan on 31 December 2017; and*

*you are either a shareholding member (whatever your account balance is) continuously between 31 December 2017 and the voting date or a borrowing member (owing us at least £100) on the voting date; and you are the first named account holder in our records.*

*The voting date is either Wednesday 11 April 2018 if you are voting using a paper Voting Form or if you vote online, or Thursday 12 April 2018 if you are voting in person at the Annual General Meeting.*

5. *Members attending the Meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. If you are appointing a representative, other than the Chairman of the Meeting, to attend the Meeting and vote on your behalf, please ensure that they bring an appropriate form of identification to the Meeting.*

**If you appoint a representative to vote on your behalf and your representative does not attend the Meeting, your vote will not be counted.**



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# Notice of Annual General Meeting

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## Explanatory notes

The numbering of the items in these Explanatory Notes is the same as in the Notice of the Annual General Meeting.

1. The Directors' Report, Annual Accounts and Annual Business Statement are required to be received formally by members at the Annual General Meeting. The Society also adopts the convention of receiving the Auditors' Report.
2. It is a requirement that the Auditors are appointed by the members each year.

### 3. Approval of the Directors' Remuneration Report

As a building society, the Society is not required to prepare an annual report on directors' remuneration nor is the Society required to propose a resolution for its approval in the same way that a listed company is required to do. However, as in previous years and in line with best practice, the Society is proposing an Ordinary Resolution to approve the Directors' Remuneration Report for the financial year ended 31 December 2017. The summary Directors' Remuneration Report is set out on pages 30 and 31 of this magazine. The vote on this Resolution will be treated as advisory only and the directors' entitlement to remuneration is not conditional on this resolution being passed.

### 4. Approval of the Directors' Remuneration Policy

It is a requirement for listed companies to propose a resolution to approve the directors' policy on remuneration at least every three years or when the policy is subject to change. As a building society, the Society is not required to prepare a Directors' Remuneration Policy nor to propose a resolution for its approval. However, in line with best practice, the Society is proposing an Ordinary Resolution to approve the Directors' Remuneration Policy (as contained in the Directors' Remuneration Report). The proposed policy is set out on pages 26 to 29 of this magazine.

In response to regulatory requirements, we have reviewed our Remuneration Policy for executive directors to ensure their compensation is constructed to reward behaviours and performance appropriate to our long term strategy and to be compliant with relevant regulations.

The opportunity has been taken to reduce the maximum bonus potential from 75% to 50%, reducing the incentive to take undue risk to achieve higher variable pay, in line with our customer ethos and mutual model.

To ensure the overall remuneration package remains competitive, basic pay has been increased from 1 January 2018 by around 12% for the executive directors, with the exception of the Chief Risk Officer, who already has maximum variable pay of 50% of basic salary.

The Remuneration Committee has also reviewed the Service Agreements of the executive directors to ensure they remain compliant with current legal requirements and market conditions. As a result of this, the Committee has extended the policy on payment for loss of office to include pension benefits, as well as basic salary, for good leavers.

The vote on Resolution 4 will be treated as advisory only.

### 5. Election and re-election of directors

The Board has considered the provisions of the UK Corporate Governance Code relating to the re-election of existing directors and has resolved that it would be appropriate to submit all of the Society's directors for annual re-election.

Lynn McManus was appointed to the Board as a non-executive director on 1 September 2017. Lynn McManus is seeking election for the first time at the Annual General Meeting and her biographical details are included on page 20.

The Board considers that all directors continue to have the requisite skills, knowledge and experience and demonstrate the necessary commitment to their roles. The biographical details of each director are included on pages 18 to 20.

**The Board recommends that members vote in favour of the directors standing for election and re-election, and FOR all other resolutions.**

# Attending the Annual General Meeting

Thursday  
12 April 2018  
11am



**Howard Assembly Room,  
Leeds Grand Theatre,  
46 New Briggate,  
Leeds LS1 6NZ**

## Bus/Train

The venue is easily accessible by public transport. It's approximately ten minutes walk from Leeds train station and ten minutes walk from the main bus station with many buses stopping close by.

## Taxis

There's a taxi rank directly outside the venue, and we'd recommend booking a taxi in advance.

## Parking

Parking is available at:

- Q Park St. John (LS2 8NG)
- Templar Street and Edward Street Car Park (LS2 7LP)
- NCP Car Park (LS1 6AD).

## Voting at the AGM

If you wish to vote at the AGM, please remember to bring your voting form or passbook.

If you're appointing a representative, other than the Chairman of the Meeting, to attend and vote on your behalf, please ensure that they bring an appropriate form of identification.

**If you appoint a representative to vote on your behalf and your representative does not attend the Meeting, your vote won't be counted.**

# You vote. We donate

We'll make a charity donation of 10p for every paper form and 20p for every online vote returned.

You can choose which charity you would like us to donate to on your behalf. Both charities have been chosen by our members using our online community panel TalkingPoint.

Voting online also significantly reduces costs and the impact on the environment, so please vote online if you can.

**Vote online now at**  
[www.leedsbuildingsociety.co.uk/voting](http://www.leedsbuildingsociety.co.uk/voting)

## Leeds Building Society Foundation

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Leeds Building Society Foundation makes donations of up to £1,000 to UK registered charities to support community-based projects that relieve suffering, hardship or poverty. Since 1999 it has made over 2,500 donations to good causes.



## Samaritans

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With more than 20,000 trained volunteers in 201 branches, Samaritans is available round the clock, every single day of the year, for anyone who is struggling to cope. In 2016 it responded to more than 5.7 million calls for help by phone, email, text, letter and face to face. Every six seconds someone contacts Samaritans. It provides a safe space to talk for anyone who needs it.



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Samaritans is a charity registered in England and Wales (219432) and in Scotland (SC040604) and incorporated in England and Wales as a company limited by guarantee (757372). Samaritans Ireland is a charity registered in the Republic of Ireland (20033668) and incorporated in the Republic of Ireland as a company limited by guarantee (450409). Samaritans in Scotland is a charity registered in Scotland (SC009843) and incorporated as a Scottish Charitable Incorporated Organisation.



**Let's talk**

Pop into your local branch

**[www.leedsbuildingsociety.co.uk/branch](http://www.leedsbuildingsociety.co.uk/branch)**

Call **03450 540 996**

8am–8pm, 7 days a week

We may monitor and/or record your telephone conversations with the Society to ensure consistent service levels (including colleague training).