



## We are here for you, for life

We're proud we've received  
the Fair Tax Mark.

## We focus on what matters to you

We've branched out further.

## Together we make things happen

Helping Samaritans to be  
there when it matters.

## We're committed to delivering the best

Welcoming our new  
Chief Executive Officer.

A photograph of an older man with white hair and glasses, wearing a blue sweater, sitting on a sofa with two young girls. One girl is holding a smartphone, and the man is pointing at the screen. The scene is warm and domestic.

# Committed to your future

**AGM 2019: Make your vote count** Read more inside



# 2018.

## A year of growth

### Savings

over  
**63,000**  
more savers



**£81.5m**  
annual benefit to  
our savers



### Mortgages

helped over  
**43,000**  
more people  
have the home  
they want



helped almost  
**12,000**  
people buy their  
first home



### People

**91%\***  
member  
satisfaction  
rate



**5,800**  
volunteering hours  
invested by our  
colleagues



### Environment

We've  
purchased  
**100%**  
renewable  
electricity



**95%**  
CO<sub>2</sub> emissions  
reduction between  
2016 and 2018



\*Overall customer satisfaction is 91% in a survey of 6,284 members from January-December 2018.

---

# Contents

## 2018 highlights

2018. A year of growth	2
Welcome from our Chairman	4
2018 highlights with our CEO	6
Hello from our new CEO	9

## Principles

We are here for you, for life	10
We focus on what matters to you	12
Together we make things happen	14
We are committed to delivering the best	16

## AGM

Attending the Annual General Meeting	18
You vote. We donate	19
Notice of Annual General Meeting	20

## Financial Statement

Board of Directors	22
Summary Financial Statement	25
Directors' Remuneration Report	28

**Get involved. You have a say in the way we do things – so make it 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 18 – 21  
or vote online now at [www.leedsbuildingsociety.co.uk/voting](http://www.leedsbuildingsociety.co.uk/voting)**

---

# Welcome from our Chairman

---

**Year ended**  
**31 December 2018**

Leeds Building Society continued to perform strongly in 2018, despite the ongoing uncertainty around the UK's future relationship with Europe. We continue to help people save and have the home they want through good value products and improved service to our members.

As a result, membership is now more than 800,000 and assets increased by 5%, to £19.4 billion. Our lending growth, combined with a focus on efficiency and managing costs, led to a strong level of profit, enabling us to increase our capital and invest further in the long term future of your Society.

---



## **Economic background**

The UK's expected departure from the EU has dominated the economic landscape for the past two years and is likely to do so for some time to come. The full impact of Brexit is unclear as markets remain unpredictable and consumer confidence subdued.

Growth of the UK economy slowed in 2018<sup>1</sup> but despite this, unemployment levels remain at near record lows<sup>2</sup> and wage growth has started to pick up<sup>3</sup>, alleviating some of the pressure on disposable incomes. Inflation, which peaked at 3.1% in November 2017, fell to 2.0%<sup>4</sup> at the end of 2018 and is expected to remain around this level over the coming months<sup>5</sup>.

In July last year, the Bank of England increased Bank Base Rate (BBR) to 0.75%, its highest level for a decade, but still well below pre-crisis norms<sup>6</sup>. In the absence of any significant financial shocks to the economy, market expectations are for BBR to increase modestly with any future tightening of monetary policy to be gradual and to a limited extent<sup>7</sup>.

Demand from customers for new mortgages has remained somewhat muted. Gross mortgage lending in the UK reached £269 billion<sup>8</sup>, up 3% year-on-year, but still above the pace of house price inflation which, according to the Halifax

House Price Index, was 1.3% – its lowest for a full year since 2012<sup>9</sup>.

As a result, competition in the mortgage market has intensified and average new mortgage rates relative to BBR fell during 2018<sup>10</sup>. At the same time, savers have benefitted from an increase in market rates since the start of the year<sup>11</sup> bringing some relief following a sustained period of historically low interest rates.

These developments had been anticipated and the Society's business model allows it to continue to perform well in these circumstances.

## **Regulation**

The busy regulatory agenda shows no sign of abating. In May 2018, the General Data Protection Regulation came into force designed to provide consumers with greater control over their personal data. We updated and refined our existing policies, standards and procedures to be able to meet the new regulatory requirements.

In July, the Bank of England, Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) published a joint discussion paper focusing on improving the operational resilience of firms and financial market infrastructures. This remains a key priority for the Society and is managed through a programme of continuous improvement and investment.

The Bank of England also introduced changes to discontinue the use of the London Interbank Offered Rate (LIBOR). We have already started to assess the possible impact so we can prepare for the changes, which come into effect in 2021. During 2018, the FCA launched a consultation on fair pricing for consumers and better access to products and services. We are already committed to providing the right competitively priced products for members and will continue to review our products in line with any emerging regulatory guidance.

Regulation impacting the capital and liquidity requirements applicable to the Society continues to evolve, including EU amendments to the Capital Requirements Directive IV and the Capital Requirements Regulation. The Society is well capitalised and expects to be able to fully meet the regulatory requirements.

### Chief Executive Officer succession

Peter Hill, who was appointed Chief Executive Officer in 2011, advised the Board in August last year of his plan to retire in February 2019.

I would like to thank Peter for his outstanding vision and leadership over the past seven years, during which time the Society's total assets and profits have more than doubled. He has made a huge contribution to our success and I wish him well for the next stage in his life.

Peter will be succeeded by Richard Fearon, who is currently the Society's Deputy Chief Executive Officer.

Before joining the Society, Richard spent 10 years with Lloyds Banking Group, where he held a number of senior roles in both the mortgage and savings businesses.

He started his career at management consultants Oliver Wyman & Company.

Richard was recruited three years ago with succession in mind and during his time with us, has proved to be an extremely able executive director. He will become only the eighth CEO in our 144-year history and I know he will lead the business and our colleagues to future success, particularly as we continue to develop a Society capable of thriving in the digital age.

### Summary

Competition in our core markets intensified in 2018 and we expect this to persist for the foreseeable future. We also anticipate continued uncertainty around the UK's departure from the EU.

Nonetheless, our strategic approach to sustainable growth means we're well-placed to withstand any economic shocks and continue to invest in the long term future of the Society.

Members will remain at the centre of everything we do and we will carry on looking after your interests so you can share in the benefits of our security and success.

Finally, on behalf of the Board, I would like to thank our skilled and dedicated colleagues, who continue to deliver outstanding service and you, our members, for choosing to be part of our successful and independent building society.

**Robin Ashton**  
**Chairman**  
**26 February 2019**

- 1 Office of National Statistics – Annual GDP growth in 2018 was 1.4% (vs. 1.8% in 2017), its lowest rate since 2012
- 2 Office of National Statistics – ILO unemployment rate 4.0% (October – December 2018)
- 3 Office of National Statistics – Average weekly earnings 3 month average (December 2018: 3.4%)
- 4 Office of National Statistics – CPI inflation December 2018
- 5 Bank of England – February 2019 Inflation Report inflation projections
- 6 Bank of England – Official Bank Base Rate history data
- 7 Bank of England – Inflation Report, February 2019
- 8 UK Finance – Gross mortgage lending for the 12 months to December 2018
- 9 Halifax HPI – Annual change as at December 2018
- 10 Bank of England – The average new mortgage rate in November 2018 (2.50%) is lower than at the start of the year (2.55%) despite a 0.25% increase in Bank Base Rate
- 11 Bank of England – Average effective time deposit rates for new business

---

# 2018 highlights with our CEO

---

**Year ended**  
31 December 2018

In my final report as Chief Executive Officer, I'm proud to report that we've once again delivered on our mission to help people save and have the home they want. Savings, mortgage balances and assets and capital are all at record levels.

---

## **Supporting the aspirations of borrowers and savers**

Throughout 2018, we worked hard to provide security and value to all our members, as we balance the needs of both savers and borrowers through a range of actions.

Savers have seen interest returns increase following a period of historically low rates, and we've continued to support them during this time, offering products to meet their needs. We paid an average 1.32% 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 £81.5 million.

Our support for savers was recognised with the 'Best Building Society Savings Provider' award for the third year running from the independent comparison site, Moneyfacts.

Notwithstanding the increase in Bank Base Rate last year, competition in the mortgage market meant new mortgage rates reduced during 2018. Our ability to attract savers has enabled us to keep growing our mortgage

lending and focus on customers less well served by the wider market, as well as mainstream borrowers.

We continued to support first time buyers through a number of key segments including Shared Ownership, Affordable Housing and Help to Buy, which resulted in us helping almost 12,000 people buy their first home.

Our consistent approach was recognised by What Mortgage magazine and we were awarded the accolade of 'Best Shared Ownership Lender' for the third consecutive year.

Drawing on our experience in the Interest Only market, combined with extensive research into borrowers' needs as they age, we were the first national high street lender to offer older borrowers more choice by launching a new Retirement Interest Only mortgage range.

We remained active in the Buy to Let market, launching innovative products such as our Easy Start mortgage, as well as simplifying lending criteria and strengthening our specialist underwriting team.

Our understanding of the wider mortgage market and expertise in lending to homebuyers, movers and re-mortgagors resulted in the Society being named 'Best Building Society' at the Your Mortgage awards.

## **Continuing financial security**

Our focus on under-served segments of the mortgage market has delivered sustained growth and good quality lending. This, combined with keen cost control, has resulted in profit before tax of £116.9 million, which reduced from £120.9 million a year earlier, primarily as a result of the one-off impact of the sale of our Irish mortgage book (£6.5 million).

High levels of employment and the sale of our Irish mortgage book has resulted in residential arrears<sup>3</sup> reducing to 0.46%

---





# 2018 key highlights:

## Supporting the aspirations of borrowers and savers

- Helped over 63,000 more people save for their future
- Helped over 43,000 more people have the home they want
- Total membership now more than 800,000

## Delivering outstanding personal service

- Independent member surveys show overall customer satisfaction remained high at 91%
- Achieved our highest ever equivalent ranking<sup>1</sup> score of 53rd in the KPMG Nunwood Customer Experience Excellence Top 100
- Achieved a 2\* Best Companies rating, highlighting us as an 'employer of choice' with an outstanding commitment to making the Society a great place to work

## Continuing financial security

- Savings balances increased by £800m, to £13.9bn
- Net mortgage lending of £1.0bn increased total mortgage balances to £15.8bn
- Profit before tax of £116.9m

## Investing in the Society

- First national high street financial institution to achieve the independent Fair Tax Mark by paying the right amount of tax in the right place at the right time, and applying gold standard tax transparency
- First financial services organisation to receive Leaders in Diversity accreditation from the National Centre for Diversity
- Opened a new branch in Edinburgh and relocated our Moortown branch, following feedback from our members

in 2018, which means fewer than one in 200 borrowers is experiencing difficulty paying their mortgage. We also continued to manage down our commercial lending portfolio and these loans now represent less than 0.2% of all loans to customers.

In 2018, we secured an Internal Ratings Based (IRB) permission from the Prudential Regulation Authority (PRA). By granting this permission, the PRA has confirmed the Society is able to assess its own capital requirements for credit risk. This permission reflects how we measure, manage and control risk effectively, and empowers better business decisions as well as further enhancing our capital resilience.

We raised £200 million of capital as part of our plan to meet Minimum Requirement for Own Funds and Eligible Liabilities (MREL), which we expect to do well ahead of the 2022 regulatory timeframe. This, combined with a good level of profit, meant we were able to increase our capital to £1.2 billion, well above the regulatory minimum requirements.

We encountered high levels of competition last year, particularly in the mortgage market, which we expect to continue. Combined with the uncertainty surrounding the UK's exit from the EU, this is likely to put further

downward pressure on our net interest margin as we move through 2019 and beyond.

However, our robust performance and high levels of capital mean we have a strong Society and remain well-placed to withstand economic uncertainty, protect our members' money and keep growing sustainably.

## Delivering outstanding personal service

By focusing on what matters to members and brokers, who introduce the majority of our mortgage business, we've further improved the customer experience we provide.

Savings members are now able to manage their accounts more easily following a number of enhancements to our online functionality. They can complete more transactions through the secure messaging service, reset passwords, update key information and take steps to increase the security of their account.

We've also further improved the savings account maturity process to offer greater flexibility in how our members can provide instructions in advance of when their funds become available.

My colleagues are committed to delivering the best and they were outstanding last year. Regular reviews show they are highly engaged

---

# 2018 highlights with our CEO

Year ended

31 December 2018

---

and I'd like to thank them for their passion and commitment to serving our members.

As a result, our KPMG Nunwood Customer Experience Excellence ranking went from 107th in 2017 to the equivalent of 53rd last year, and we were one of only two top 15 financial services brands to improve our score and ranking for two consecutive years.

We also achieved a 2\* Best Companies rating, highlighting us as an 'employer of choice' with an outstanding commitment to workplace engagement and this means we are in the 2019 Sunday Times Top 100 Best Companies to Work For. Fairer Finance also awarded us its 'Gold Ribbon' for savings accounts based on customer happiness and trust, along with our ability to explain things clearly.

## Investing in the Society

Our branch network continues to evolve and plays an important role in attracting the retail savings needed for us to be able to help people have the home they want.

Following feedback from our members, and the successful opening of our Bournemouth branch in 2017, we opened our first branch in Edinburgh. We invest a great deal of time and effort to identify the best locations and this adds further choice for savers on the high street.

I'm delighted we were able to relocate our Moortown branch to a larger property so close to our previous premises. This meant we could keep the old branch open for the benefit of our members while we refurbished the new building, and we've also increased the number of colleagues serving customers.

These branches have been designed to improve the customer experience and

service we provide, and demonstrate our commitment to providing face-to-face service where there is sufficient demand.

I have previously reported that we had outgrown our current Head Office in Leeds and secured a new office building that keeps us in the heart of the city. The project to design the office space, move colleagues and further develop our IT infrastructure is underway and is an important investment for the future.

We're also continuing to improve our digital capability as we strive to meet the changing needs of our members. We've successfully enhanced our online savings proposition and focus on this important area will continue, as will our investment to improve our mortgage processing capability.

Through our focus on efficiency, we are able to continue to balance the need to invest in your Society, while controlling costs and growing sustainably. We anticipate our cost to income ratio of 44.8% and cost to mean asset ratio of 0.52% will remain among the best in the building society sector.

Your Society is proud to be the first financial services organisation to receive Leaders in Diversity accreditation from the National Centre for Diversity, demonstrating a strong commitment to diversity and inclusion and attracting and retaining the best talent.

I'm also very proud to report that we became the first national high street financial institution certified as an accredited Fair Tax Mark<sup>4</sup> business, having been successfully assessed against the Fair Tax Mark criteria. We recognise the public services paid for through tax benefit our members, colleagues and communities, and help create the strong foundations we need to thrive as a business in the long term. That's why we're committed



---

to doing the right thing, paying our fair share and reporting our tax affairs transparently to our stakeholders.

## Outlook

Our strong performance over many years has resulted in record retained capital and reserves and we have further consolidated our financial strength.

Uncertainty around the UK's exit from the EU will remain, and competition in our core markets of savings and mortgages is expected to continue. Notwithstanding this, we are very well placed to continue to act in the long term interests of the Society and deliver sustainable growth for the benefit of you, our members.

It's been a great privilege to be the custodian of your Society as only the seventh Chief Executive Officer (CEO) in our 144-year history. During my tenure, my colleagues and I have created more than 440 high quality jobs and grown sustainably by helping more members than ever before save and have the home they want.

I'm particularly proud of the way we've helped those people less well served by the wider market to achieve home ownership, many for the first time, and by the way we've developed our approach to doing the right thing for our members, colleagues and communities.

I leave the Society stronger than ever and in very good hands. I'm delighted Richard Fearon was chosen by the Board as my successor – he has really demonstrated his value to the Society since joining the executive team and has the experience and capability to lead the business through the next stage of its development.

Finally, and for the last time, I would like to thank you, our members for the support you have given me during my seven years as CEO and your continued support for the Society.

**Peter Hill**  
**Chief Executive Officer**  
**26 February 2019**

- 
- 1 KPMG Nunwood UK's overall Customer Experience Excellence Performance Top 100 – ranking score equivalent to 53rd in the Top 100, sample size slightly lower than threshold for inclusion in Top 100 table
  - 2 CACI CSDB, Stock, January 2018 – December 2018, latest data available, CACI is an independent company that provide financial benchmarking data and covers 87% of the high street cash savings market
  - 3 1.5% or more of outstanding mortgage balances
  - 4 Fair Tax Mark – A business with the Fair Tax Mark is certified as paying the right amount of tax in the right place at the right time and applying the gold standard of tax transparency
- 

# Hello from our new CEO



## I'm committed to building a promising future for all our members

I'm delighted to have been selected as the Society's next Chief Executive, it's a real privilege and honour.

I joined the Society in 2016 as Chief Commercial Officer following a career focused around savings and mortgages and I'm really keen to apply my knowledge and experience to help take the Society forward.

I'm committed to continuing Peter's work to steer the business to meet your needs, grow sustainably and invest responsibly for the long term benefit of our members. My key areas of focus will be ensuring the Society remains secure, centred around you, operates efficiently and is well positioned for the future challenges ahead.

**Richard Fearon**  
**Deputy Chief Executive Officer**  
**26 February 2019**



## Paying our tax, fairly

As we all know, tax funds the essential public services our members and colleagues use every day – like health and education. As a mutual society owned by our members, it's always been in our ethos to pay tax fairly to support the public services, which help our members get on with their lives. We're delighted to be the first national high street financial institution to receive the Fair Tax Mark demonstrating our commitment to shunning tax avoidance and doing what's right.

# We are here for you, for life

## We're improving your Society for the long term.

### **A stronger financial position**

We've taken steps to further improve our mortgage-lending decision and application processes so we can help more people have the home they want. We've gained permission from the Prudential Regulation Authority to use our Internal Ratings Based approach to assess credit risk and capital requirements. This shows the Society has the correct tools in place to make the right lending decisions. It also gives us greater freedom to make applying for a mortgage simpler and quicker.

### **Reaching new members**

Our 2018 advertising campaign has reached new members in the East Midlands. The message 'here for you for life' was delivered through press, billboard, radio and online adverts. As well as putting our brand in front of thousands, we have highlighted the benefits of being part of the Society. Brand awareness has increased significantly in this region, giving us the confidence to continue building our brand going forwards.

### **Doing business the right way**

We're on course to achieve our responsible business goals ahead of our 2020 target date.

Highlights include:

- Donating the pence from your savings interest and sponsoring our colleagues in events like the Rough Runner Challenge, has raised over £145,000 for our charity partner Samaritans so far.
- We're seeing a growing shift in the Society being perceived by colleagues as more environmentally responsible.
- We've reduced our carbon emissions by 95% since 2016 and continue to power the Society with 100% renewable electricity.
- We're proud to be a business that celebrates the individual differences of our colleagues and in 2018 we were recognised as Leaders in Diversity by the National Centre for Diversity.
- We have been awarded the Fairer Finance Gold Ribbon for 'Savings Customer Experience'.
- We're now in the top five Ethical Consumer ranking for our mortgage and savings products.

**If you'd like to get involved in conversations that help shape your Society simply sign up to our online forum TalkingPoint at:**  
**[www.leedsbuildingsociety.co.uk/talkingpoint](http://www.leedsbuildingsociety.co.uk/talkingpoint)**

# We focus on what matters to you

We're making improvements to make life simpler for you.

## **A better service**

When and how we communicate with members is a key area of focus for us. We've automated some of our processes so that letters and information packs are sent without the need for day to day human involvement. This means that our colleagues can spend more time improving services for our members.

We're also working to make it as easy as possible for you to manage your accounts online. You can now send us secure messages to request online withdrawals, and you can update and retrieve your password online. Plus we now accept your account instructions over the phone as well as in writing. Other services available include opening and accessing accounts; tracking payments and interest, and improving your security through enhanced ID checks.

## **More ways we've streamlined services:**

- We've made it simpler for online members to pay in cheques.
- Members with maturing mortgages can now borrow more with a further advance when making a product transfer.

## **Long-term improvements**

Last spring we began implementing new technology changes. We've already streamlined a number of our systems. Going forward, we'll continue to invest in our technology, so we can deliver the best service when and how you want it.

## **Helping grow home ownership**

Responsible lending isn't just about being certain that potential borrowers can afford their mortgage repayment; it's also about finding new ways to help more people have the home they want. Reviewing our mortgage processes allowed us to further improve tools for mortgage brokers, such as better repayment calculators. We've introduced soft credit checks for Decisions in Principle, so a customer's credit rating is unaffected during the early stages of their application.

For those making their first move on the property ladder, we've a new Shared Ownership version of our award-winning Welcome Mortgage. We've also reviewed our approach to lending on housing developments with Shared Ownership properties and we're now able to lend on a greater number of properties within one site.

## **Best ever results**

We were one of only two top 15 financial services brands to improve our customer service rating from the KPMG Nunwood Customer Experience Excellence Centre for two consecutive years. Our overall ranking amongst leading brands improved by 54 places from 107th to the equivalent of 53rd.

It's just one of the tools we use to measure and improve our customer focus, which ultimately means better service for our members.





### Branching out

Following the opening of our Bournemouth branch last year, we opened a new branch in Edinburgh recently. Our Moortown branch in Leeds has also moved to a bigger, newly refurbished building, offering greater comfort and privacy for members. We've also started a trial for hearing loops in two branches. These are a special type of sound system that helps people with hearing aids.



## Investing back into local parkrun communities

In May 2018 we celebrated our first anniversary of our partnership with parkrun.

We conducted research last year revealing that 86%\* of people really value their local outdoor space and the impact it has on their wellbeing, while 70% of people believed their local park could do with an upgrade. Our partnership with parkrun supports this, as parkrun is a vital initiative to foster genuine connections within your local community and help people get active at the same time.

In addition to supporting parkrun so that it remains a free event, we're always working on new initiatives to help improve local parkrun communities.

Last year we launched the Leeds Building Society Community Reward Scheme to provide funding and volunteer support to parkrun communities across the UK. We've donated over £20,000 to fund projects at ten different

parks ranging from improved pathways, new litter bins and a quiet garden for reflection.

To find out more about this scheme, simply visit [www.leedsbuildingsociety.co.uk/crs](http://www.leedsbuildingsociety.co.uk/crs)



\*Research carried out by Leeds Building Society in October 2018, with a panel of 2,001 general respondents in the UK.

# Together we make things happen

We're helping more causes that matter to each and every one of us.

## Leading by example

We're aiming to raise £250,000 by March 2020 to support our charity partner Samaritans. Together with our members and colleagues we made a fantastic start last year, raising a total of £145,000.

Every six seconds someone contacts Samaritans. Their volunteers respond to around 5.7 million calls for help each year and, in a technologically changing world, people are choosing to get in touch in different ways. That's why all the money we're raising is funding future-proofed communications equipment, including laptops, headsets and phones.

**Members wanting to support this partnership can do so through the Society's Your Interest in Theirs scheme. Simply pop into a branch or give us a call. Together, we can help Samaritans to be there when it matters.**



## Getting stuck in

Not only are we putting our communities at the heart of everything we do, we're on course to smash our volunteering target. Our colleagues invested over 5,800 volunteering hours in 2018. And we're not done yet; we've increased our target to 14,000 volunteering hours by the end of 2020, all for local causes.

## Supporting Leeds Rhinos for 12 years

Our record-breaking partnership with Leeds Rhinos continues. This takes us to 2020 and drives us forward as the longest front-shirt sponsor in Super League history.

We remain at the heart of communities in Leeds, alongside an organisation which has grown with us and plays an equally important role in the wider community. Like us Leeds Rhinos focus on operating sustainably, creating a high performing culture and delivering excellent customer service. So we're proud to continue as their main sponsor.



# We are committed to delivering the best

Our people are dedicated to the task and to each other. It's the road to success.

## A change in leadership

After seven years at the helm, our Chief Executive Officer, Peter Hill, has announced his retirement. His contribution and success leaves the Society in a very strong position.

Taking on the Society leadership role is Richard Fearon. Richard joined in 2016 as Chief Commercial Officer and has been responsible for successfully leading our strategy and product development, our branch network and intermediary distribution, corporate responsibility and improving our understanding of members. His ambition is to continue Peter's work to steer the business to meet your needs, grow sustainably and invest responsibly in a long term future.

## Looking after each other

Recognising that one in four people in the UK are affected by mental health problems, it's vital we fully support our colleagues in the workplace too. In 2018 we've trained 35 Mental Health First Aiders and 159 colleagues across the business on mental health awareness.

Through our charity partnership we've brought Samaritans' expertise into the business. We've rolled out their online learning tool Wellbeing in the City to help colleagues who may be experiencing a mental health concern whilst at work.

This also helps to encourage greater openness around mental health in general.

## Leaders in diversity

In 2018 we were proud to be recognised as Leaders in Diversity from the National Centre for Diversity. This reflects the steps we've taken in the areas of diversity, equality and inclusion and we are the first financial services organisation to achieve this status.

## Winners in 2018

By centering everything we do on our members, we're always looking to improve our products and services. Here are five awards that prove your future with the Society is secure:

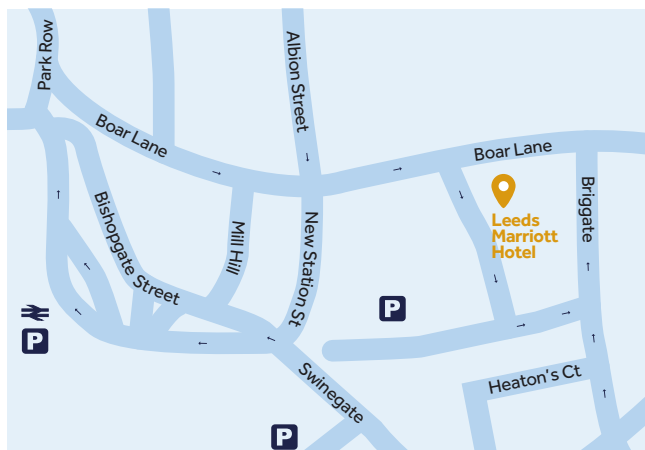
- **Your Mortgage Awards**  
Best Building Society
- **Moneyfacts Awards**  
Best Building Society Savings Provider
- **Savings Champion**  
Best Regular Savings Account Provider
- **What Mortgage Awards**  
Best Shared Ownership Mortgage Lender
- **Gold Fairer Finance**  
Ribbon for Savings Customer Experience

A woman with long brown hair, wearing a patterned sweater over a blue shirt, is shown in profile, looking down at a laptop. She is in an office setting with blurred background elements like a desk and other equipment.

## Women in Finance

In 2016 we demonstrated our commitment to increasing the representation of women at our senior levels, by becoming signatories to HM Treasury's Women in Finance Charter. This includes an aspiration to achieve at least 33% female gender representation on our Board and in our Senior Leadership Team by 2021. We are making positive progress towards our targets and have an increased number of female colleagues identified to progress to more senior positions.

# Attending the Annual General Meeting



**Leeds Marriott Hotel,  
4 Trevelyan Square,  
Boar Lane,  
Leeds LS1 6ET**

## **Bus/Train**

The hotel is easily accessible by public transport. It's approximately two 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 Leeds train station or we'd recommend booking a taxi in advance.

## **Parking**

Parking is available at:

- Trinity (LS1 4AG)
- Q Park Sovereign Square (LS1 4AG)
- Leeds Train Station (LS1 4HT).

Thursday  
4 April 2019  
11am

## **Voting at the AGM**

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

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 how you split your donation across the charities listed here.

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

---

Leeds Building Society Foundation makes donations of up to £1,000 to UK registered charities, to support community-based projects that aim to improve the lives of people who are disadvantaged or in vulnerable circumstances. Since 1999, it has donated over £1.9 million to local good causes.



## Samaritans

---

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. They respond to more than 5 million calls for help a year by phone, email, text, letter and face to face. Every 6 seconds someone contacts Samaritans. It provides a safe space to talk for anyone who needs it.



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.

---

# Notice of Annual General Meeting

---

Year ended  
31 December 2018

**Notice is given that the 144th Annual General Meeting of the members of Leeds Building Society will be held on Thursday 4 April 2019 at the Leeds Marriott Hotel, 4 Trevelyan Square, Boar Lane, Leeds LS1 6ET 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 2018.
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 for the year ended 31 December 2018.
4. To consider and if thought fit, elect/re-elect the following as directors:
  - (a) to elect Annette Marie Barnes
  - (b) to elect Iain Charles Andrew Cornish
  - (c) to re-elect Robin James Ashton
  - (d) to re-elect Philippa Anne Brown
  - (e) to re-elect Richard Guy Fearon
  - (f) to re-elect David Fisher
  - (g) to re-elect Andrew John Greenwood
  - (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 Lynn Reston McManus
  - (m) to re-elect Karen Rita Wint

By Order of the Board

**Katherine Tong**  
**Director of Legal and Compliance and Secretary**  
**26 February 2019**

## 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 4 April 2019, and  
**Membership:** you (a) had a shareholding in the Society of at least £100 on 31 December 2018 or (b) owed at least £100 to the Society on a mortgage loan on 31 December 2018; and you are either a shareholding member (whatever your account balance is) continuously between 31 December 2018 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 3 April 2019 if you are using a paper form to vote by proxy or if you are voting online, or Thursday 4 April 2019 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.**

---

# Notice of Annual General Meeting

---

## 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 Director's 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 2018.

The summary Directors' Remuneration Report is set out on pages 28 to 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. 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.

Iain Cornish was appointed to the Board as a non executive director on 1 January 2019. Iain is seeking election for the first time at the Annual General Meeting and his biographical details are included on page 23.

Annette Barnes was also appointed to the Board as a non executive director on 1 February 2019. Annette is seeking election for the first time at the Annual General Meeting and her biographical details are included on page 23.

The Board considers that all directors have/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 22 to 24.

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

# Board of Directors

## Key to Board Committees:

- A** Audit Committee
- B** Board Risk Committee
- N** Nominations Committee
- R** Remuneration Committee
- O** Committee Chairman



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

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

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

As Chair, he is responsible for overseeing the performance of the Board of the Society. He is a strong supporter of the building society sector and the mutual business model, which plays an important role in UK financial services.

**Other roles:** Robin is the 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 general manager (sales) before moving into operations and was appointed Operations Director in 2006.

In 2011 he was appointed as Chief Executive Officer with responsibility for developing and proposing the Society's strategy, objectives and plans, and maintaining the Society's business model and culture.

Peter brought a breadth of experience from over 39 years' in retail financial services. He is an Associate of the Chartered Institute of Bankers and a fellow of the Royal Society of Arts.

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

**Peter retires from the Board on 26th February 2019**



**Richard Fearon**  
Deputy Chief Executive Officer

**Appointed:** February 2016

**Skills, competence and experience:** Richard joined Leeds Building Society as Chief Commercial Officer and was appointed as Deputy Chief Executive Officer in August 2018.

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 has an excellent understanding of product development to meet customer needs, as well as strong strategic and commercial skills. Richard is currently responsible for the Society's strategy and direction across customer and digital, product development, direct and intermediary distribution as well as change management. He is Chair of the Corporate Responsibility Steering Group and Conduct Risk Committee. With effect from 27 February 2019 Richard will succeed Peter Hill as the Society's Chief Executive Officer. The Board firmly believes that Richard has the skills and capability to lead the Society through the next stage of its development.

**Other roles:** Richard is a member of the UK Finance Mortgage Product Board and a member of the Business in the Community Yorkshire & Humber Advisory Board.





### **Annette Barnes**

**Independent non executive director | Appointed:** February 2019

**Skills, competence and experience:** Annette joined the Board in February 2019, having over 30 years' experience within financial services.

Prior to joining the Society, Annette was most recently CEO at Lloyds Bank Private Banking Ltd and Managing Director of Wealth & Mass Affluent for Lloyds Banking Group. Her background in operations, technology and customer experience, combined with her recent board and regulatory experience, will further strengthen our Board. Annette is a member of the Society's Board Risk Committee.

**Other roles:** Annette is a non executive director at GlobalData plc.

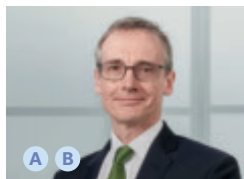


### **Philippa Brown**

**Independent 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:** Philippa is the Chief Executive Officer of Omnicom Media Group UK Ltd and a director of Future Dreams Trust Ltd.



### **Iain Cornish**

**Independent non executive director | Appointed:** January 2019

**Skills, competence and experience:** Iain joined the Board with over 30 years' experience working in financial services and was Chief Executive of Yorkshire Building Society between 2003 and 2011. During 2007/8, Iain was Chairman of the Building Societies Association. He has also held a number of non executive posts, was a Treasury Select Committee Special Advisor and independent director for the PRA and he also chaired the Financial Services Authority Practitioner Panel.

In addition to significant experience of the sector, Iain has relevant Risk and Audit Committee experience. Iain joined the Board on 1 January 2019 and is a member of the Society's Audit Committee and Board Risk Committee.

**Other roles:** Iain is the Chairman of St James Place plc; Senior Independent Director of Arrow Global Group plc and a Trustee and Treasurer of Macmillan Cancer Support.



### **David Fisher**

**Independent non executive director | Appointed:** March 2012

**Skills, competence and experience:** David has 30 years' experience within financial services, beginning his career with Halifax Building Society.

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 strong understanding of risk management, pensions and human resources.

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.

**Other roles:** David is a non executive director at P2P Global Investments plc.



### **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.



### Gareth Hoskin

**Independent non executive director | Appointed:** November 2015

**Skills, competence and experience:** Gareth has gained extensive experience acquired over his 30 year career in UK and international financial services, as a director of Legal & General plc and CEO of its International Division, and previously as a Chartered Accountant at Price Waterhouse. With effect from 1 January 2019 and, subject to regulatory approval, Gareth was appointed as Vice Chairman and Senior Independent Director. As Chair of Audit Committee, his responsibilities include safeguarding the independence of the Internal Audit function and he is the Society's Whistleblowers' Champion.

**Other roles:** Gareth is a non executive director, Trustee and Audit Committee Chair of Diabetes UK Ltd and Advisor to the Board of Green Park Partners Ltd.

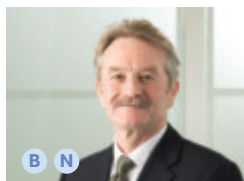


### John Hunt

**Independent 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. John is a member of the Board Risk Committee.

**Other roles:** John is a director of JCH Associates Ltd.



### Phil Jenks

**Independent non executive director | Appointed:** March 2012

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

**Other roles:** Phil is the Deputy Chairman of Broadlands Finance Ltd, and a non executive director of Charter Court Financial Services Group and its subsidiaries.



### Robin Litten

**Chief Financial Officer | Appointed:** January 2012

**Skills, competence and experience:** Robin joined the Society in 2012 having spent the previous 17 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 our members. As a member of the Executive Committee, he leads the Society's finance, treasury and planning activities and is Chair of the Assets and Liabilities Committee and Credit Committee.



### Lynn McManus

**Independent 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, HR and communications and her most recent role was at Clydesdale Bank, where she was a member of the Executive Team. Lynn is a Chartered Management Accountant. Lynn is the designated non executive for workforce engagement and a member of the Audit Committee. With effect from 1 January 2019 and, subject to regulatory approval, Lynn was appointed as Chair to the Remuneration Committee. In this role, she is responsible for overseeing the development of, and implementation of, the Society's remuneration policies and practices.

**Other roles:** Lynn is a director of Kane LMMG Ltd.



### 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 and technology to deliver great service and value to our members. Karen is Chair of the Operational and Regulatory Risk Committee and is the executive accountable for meeting the Society's targets under the Women in Finance Charter.

---

## 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 2018.**

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, on the Society's website ([www.leedsbuildingsociety.co.uk/press/financial-results/](http://www.leedsbuildingsociety.co.uk/press/financial-results/)) or on request at any branch, free of charge, from 25 March 2019. The Independent Auditor's Report on the Society's full Annual Report and Accounts was unmodified.

### Summary Directors' Report

The Summary Directors' Report for the year ended 31 December 2018 comprises the Chairman's Statement on pages 4 and 5, and the Chief Executive Officer's Review on pages 6 to 9.

The directors have confirmed it is appropriate to adopt the going concern basis in preparing the financial statements.

**Approved by the Board of Directors on 26 February 2019 and signed on its behalf by:**

**Robin Ashton**  
Chairman

**Peter Hill**  
Chief Executive Officer

**Robin Litten**  
Chief Financial Officer

---

## 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 management expenses bear to the average of the Group's total assets during the year. Management expenses consist mainly of the costs of employing staff, running the Group's branches, information technology costs, advertising, other office costs, depreciation and amortisation. Expenses are controlled so that the Group operates as efficiently as possible while providing the service that members require.

# Summary Financial Statement

Results for the year 2018	2018	2017
	£m	£m
Net interest receivable	218.1	213.2
Other income and charges	8.5	9.1
Fair value gains less losses from financial instruments	(5.7)	(1.3)
Management expenses	(98.9)	(95.5)
Impairment gains on loans and advances to customers	1.2	5.5
Impairment losses on intangible assets	–	(5.6)
Impairment losses on property, plant and equipment	–	(0.9)
Provisions for release/(charge)	0.2	(3.6)
Loss on sale of financial assets	(6.5)	–
<b>Operating profit and profit before tax</b>	<b>116.9</b>	<b>120.9</b>
Taxation	(27.7)	(32.9)
<b>Profit for the year</b>	<b>89.2</b>	<b>88.0</b>
<b>Financial position at the end of the year</b>		
<b>Assets:</b>		
Liquid assets	2,826.8	2,730.3
Mortgages	15,821.9	14,975.3
Other loans	229.5	247.7
Derivative financial instruments	273.4	258.5
Fixed and other assets	238.5	272.2
<b>Total assets</b>	<b>19,390.1</b>	<b>18,484.0</b>
<b>Liabilities and equity</b>		
Shares	13,925.2	13,065.7
Borrowings	3,870.6	4,061.6
Other liabilities	210.4	210.8
Derivative financial instruments	133.2	161.9
Subscribed capital	224.2	25.0
Equity	1,026.5	959.0
<b>Total liabilities and equity</b>	<b>19,390.1</b>	<b>18,484.0</b>
<b>Summary of key financial ratios</b>		
Gross capital as a percentage of shares and borrowings	7.05%	5.73%
Liquid assets as a percentage of shares and borrowings	15.90%	15.94%
Profit for the financial year as a percentage of mean total assets	0.47%	0.51%
Management expenses as a percentage of mean total assets	0.52%	0.56%

---

# Summary Financial Statement

## Independent Auditor's Statement on Summary Financial Statement

---

### **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 2018 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 2018 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

**Deloitte LLP**  
**Statutory Auditor**  
**Leeds, United Kingdom**

**26 February 2019**

---

# Directors' Remuneration Report

---

Dear member

I was appointed Chair of the Remuneration Committee (subject to regulatory approval) in January 2019 and, as such, I am pleased to present the 2018 Directors' Remuneration Report. This includes details of our annual report on remuneration for our executive directors, non executive directors and Material Risk Takers.

The Remuneration Policy remains unchanged from when it was approved by members at the AGM in April 2018. The full policy (including the statement of how the policy will be applied in 2019) is included in the 2018 Annual Report and Accounts, available on the Society's website.

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

## Approach

The Directors' Remuneration Report is produced in compliance with the FCA dual-regulated firms Remuneration Code.

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 ensure we are able to attract and retain the appropriate talent to deliver our goals. We seek 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.

The Board sets the Society's strategy, designed to ensure we have a prosperous, sustainable business, focused on meeting our members' needs. For 2018, the Board set six corporate priorities for executive directors, related to customer satisfaction, broker satisfaction, sustainable growth, colleague engagement, cost management and profit.

The Remuneration Committee has considered the performance of the Society and the executive directors in detail, taking into account the balance of performance.

## Performance and awards

Earlier sections of the magazine have explained we have delivered a strong financial performance. We have also achieved material de-risking of our legacy portfolios, made good progress with our customer experience agenda, achieved a 2\* Best Companies accreditation and are progressing with the implementation of our long term strategy.

As a result, annual bonuses of between 41.5% and 44.9% have been awarded to the executive directors, which represents between 82.9% and 89.7% of the maximum award available.

In arriving at the decision to award variable remuneration, 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. Very careful consideration was given to the risk assessment process and the process determined that the Remuneration Committee should assess whether an adjustment was required. Following full consideration, no adjustment was applied.

## Executive Director changes

Our Chief Executive Officer, Peter Hill, leaves us in February 2019 after over 16 years with the Society, serving over seven years as Chief Executive Officer. Peter has made a significant contribution to our success and I wish him well for the future.

Peter Hill will not participate in the 2019 bonus scheme. Peter's 2018 bonus award will be deferred over a period of seven years, with no vesting until three years after the award is made, with 50% delivered in a share-like instrument. An independent assessment will take 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.

I am delighted that Richard Fearon, currently our Deputy Chief Executive Officer, has been appointed as the Chief Executive Officer with effect from 27 February 2019.

## 2018 salary increases

In April 2018, following external benchmarking and as reported last year, the Remuneration Committee agreed a salary increase of 5.86% for the Chief Financial Officer, to reflect market conditions and his experience in the role. The salaries of other executive directors increased by 2.4%, as did the Chairman's fee. The basic salary increase for other colleagues ranged from 0% to 5%, with an average of 2.57%.

An increase of 19.8% was awarded to Richard Fearon in August 2018, to reflect his promotion to Deputy Chief Executive Officer. Richard will be appointed to the position of Chief Executive Officer on 27 February 2019. Richard will receive a base salary of £450,000 from the date of his appointment.

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 2018 was 3.88%.

# Directors' Remuneration Report

## Other matters considered by the Remuneration Committee **Looking ahead**

In 2018, the Committee consisted of four other non executive director members: Les Platts, the previous Chair, David Fisher, Philippa Brown, and Gareth Hoskin. The Chairman, Chief Executive Officer and other senior managers are invited to attend meetings as appropriate, but are not members. Our Director of People, Becky Hewitt, is the Committee Secretary. The Committee receives appropriate training sessions throughout the year.

There were four meetings in 2018, 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.

The Committee also provided oversight to management's proposals for pension savings arrangements for colleagues, due to changes in statutory pension contribution rates. These were supported by the Board and by colleagues following a formal consultation process. A new, simplified contribution structure is being introduced for colleagues joining the Society from April 2019. The pension arrangements for existing executive directors remain unchanged. However, any new executive directors will be enrolled in the Colleague Scheme.

Looking ahead to 2019, the Committee's focus will be on ensuring we have the right reward structures in place to support our future priorities and attract and retain the talent we will need to deliver our objectives. While the structure of the variable remuneration schemes for 2019 will remain unchanged, a review is to take place this year for the 2020 schemes.

I have been appointed as the non executive director responsible for representing colleague views to the Board and, as such, will engage with colleagues during the year on reward, as well as other employment topics and will report on this next year.

## Summary

I trust you will find this report helpful and informative. The Remuneration Committee recommends that members vote in favour of the 2018 Directors' Remuneration Report at the AGM.

**Lynn McManus**  
**Chair of the Remuneration Committee**  
(subject to regulatory approval)  
**26 February 2019**

## Annual Report on Remuneration

### Total remuneration summary

The total remuneration received by executive directors for 2018 is detailed below, compared with 2017. The total remuneration for executive directors equates to 2.3% of profit before tax (2017: 2.1%). This information has been audited and shows remuneration for the years ending 31 December 2017 and 31 December 2018, as required to be reported under the Building Societies (Accounts and Related Provisions) Regulations 1998. The awards made in respect of performance in 2018 are in line with the 2018 Remuneration Policy, with a maximum variable pay of 50% for executive directors.

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.

### 2018 audited

Executive directors	Salary £'000	Annual bonus £'000	Pension £'000	Loss of office £'000	Total remuneration £'000
P A Hill	467	211	107 <sup>(1)</sup>	–	785
R G Fearon	292	146	50 <sup>(1)</sup>	–	488
R S P Litten	320	142	74 <sup>(1)</sup>	–	536
K R Wint	264	112	63 <sup>(1)</sup>	–	439
A J Greenwood	275	115	55 <sup>(1)</sup>	–	445
<b>Total remuneration<sup>(2)</sup></b>	<b>1,618<sup>(3)</sup></b>	<b>726<sup>(3)</sup></b>	<b>349</b>	<b>–</b>	<b>2,693</b>



# Directors' Remuneration Report

## 2017 audited

Executive directors	Salary £'000	Annual bonus £'000	Pension £'000	Loss of office £'000	Total remuneration £'000
P A Hill	406	266	93 <sup>(1)</sup>	—	765
R G Fearon	238	158	39 <sup>(1)</sup>	—	435
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
<b>Total remuneration<sup>(2)</sup></b>	<b>1,407<sup>(3)</sup></b>	<b>864<sup>(3)</sup></b>	<b>284</b>	<b>—</b>	<b>2,565</b>

### Notes

1. These directors elected to receive part or all of the Society's pension contribution as a cash allowance.
2. No director received other taxable benefits of £1,000 or above.
3. On 1 January 2018 a salary adjustment was applied to rebalance variable and fixed remuneration. The salary adjustments reflect a reduction in the maximum bonus achievement from 75% to 50%.

### Performance outcomes against targets for incentive awards

The 2018 scheme has generated awards of between 41.5% and 44.9% (2017: 42.7% and 66.1%) of salary for executive directors, reflecting between 83% and 90% (2017: 84% and 88%) of the maximum award available.

The 2018 scheme provides for:

- Financial performance measures (max. 17% opportunity, with 5% of this for superior performance); and
- Corporate performance measures (max. 17% opportunity, with 5% of this for superior performance); and
- Personal performance measures (max. 16% opportunity, with 4% of this for superior performance).

For the executive director in a control function, the scheme provides for:

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

### 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. 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.

# Directors' Remuneration Report

## 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 £24,498 has been made in 2018 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.

## Payments for loss of office

On 26 June 2018, Peter Hill advised the Board of his intention to step down from the Board and his role of Chief Executive Officer on 26 February 2019. All payments made to Peter in respect of his service during 2018 are reported in the single figure in the remuneration table.

Peter will remain employed until 30 June 2019, during which time he is available to the Society on a consultancy basis. Peter has elected not to receive a bonus for the 2019 performance year.

In line with the remuneration policy and the bonus scheme rules, the Committee agreed to allow the deferred elements of Peter's variable pay award to be paid. These payments will be subject to continued performance adjustment requirements and payments will be made on the normal dates. Regulatory requirements relating to risk adjustments, malus and clawback will continue to apply to all deferred bonus awards.

All payments made in respect to Peter's leaving arrangements are in line with the Remuneration Policy.

## 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 their respective roles.

Non executive directors	Basic fees		Benefits <sup>(1)</sup>		Committee chair fees		Total	
	£'000		£'000		£'000		£'000	
	2017	2018	2017	2018	2017	2018	2017	2018
R J Ashton (Chairman)	143	147	7	5	—	—	150	152
L M Platts (Vice Chairman)	63	65	2	4	—	—	65	69
P A Brown	47	48	4	2	—	—	51	50
D Fisher	47	48	—	—	16	17	63	65
G Hoskin	47	48	4	6	15	17	66	71
J A Hunt	47	48	3	4	10	3	60	55
P A Jenks	47	48	—	—	—	—	47	48
L R McManus <sup>(2)</sup>	16	48	1	3	—	—	17	51
S Cooklin <sup>(3)</sup>	12	—	7	—	—	—	19	—
<b>Total</b>	<b>469</b>	<b>500</b>	<b>28</b>	<b>24</b>	<b>41</b>	<b>37</b>	<b>538</b>	<b>561</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 was appointed on 1 September 2017.
3. This director retired on 6 April 2017.

An increase of 2.4% was agreed for the Chairman to £147,637 with effect from 1 April 2018. The fee for the Vice Chairman was increased by 2.4% to £65,331 and the basic non executive director's fee was increased by 2.4% to £48,384. The committee chair fee was increased by 2.4%.

