



Growing With You

Doing the right thing

We're now more responsible
and sustainable than ever.

Members at our heart

We've found even more
ways to listen to you
and improve for you.

£1.5m donated

An impressive milestone
for Leeds Building Society
Charitable Foundation.



AGM 2017: Make your vote count. Read more inside.

2016: a year in numbers

£1,500,000

donation milestone reached by Leeds Building Society
Charitable Foundation.



756,000

members – that's
more than ever!



53,700

new members we helped to
have the home they want.



57,700

new members we
helped save for
their future.



£116.6m

pre-tax profit.
That's up by 7%
since last year.



92%

of our members told
us that they're happy
with our service.

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Get involved.
You have a say in the
way we do things –
so make it count!

Find out more about this year's AGM on pages 32-34
or vote online now at leedsbuildingsociety.co.uk/voting

2016.

What's new for you

2016 was a year of fantastic growth for your Society – but it's not all about numbers.

Here are just a few changes you might have noticed over the last year...

1. Listening to our members.

Since its launch in 2015 over 1,900 members have joined TalkingPoint, our online member forum. TalkingPoint is a great way for us to understand what really matters to you and make things even better. We invite you to share your views on everything from the charities we support to how we keep you updated.

Visit us at leedsbuildingsociety.co.uk/talk to get involved.

2. Improving for you.

In 2016 we launched our plans to improve our entire branch network, to make your visits even better. We've also made these plans as green as possible, through recycling all our old furniture, minimising landfill waste and installing LED lighting.

Find out about some of the other changes we're making for you on page 13.





3. Celebrating a £1.5m milestone.

Last year, Leeds Building Society Charitable Foundation hit an impressive £1.5m in donations to worthy charitable causes since its launch in 1999.

Read more about this brilliant achievement on page 17.



4. Thinking ahead.

We continually review the way we do things to make sure we're here for you whenever you need us. That's why last year we grew our range of Life Planning Services to include Probate. We've also made improvements to the way we help when you've got a problem, to ensure we resolve things as quickly and smoothly as we can.

If you'd like to find out more about our products and services, find us online at leedsbuildingsociety.co.uk



5. Doing the right thing.

Our long term Corporate Responsibility Framework will see us doing even more to make sure we run our business in a fair, responsible and sustainable way. It's about being here for our members, colleagues, communities and the world we live in.

Find out more on page 14.

Welcome from our Chairman

Year ended
31 December 2016

Leeds Building Society continued to perform strongly in 2016, despite economic and political uncertainty both here and abroad.

Our success in attracting new members and savings balances, and increasing our mortgage lending, all records for the Society, is testament to the value, security and service we provide.



Our strong and sustained lending growth, combined with reduced losses from historical lending activity, has resulted in a record profit of £116.6m. This means we are able to carry on investing in system and service improvements to enable colleagues to continue to meet our members' changing needs.

Economic background

Despite the uncertainty and market volatility caused by the result of the EU referendum, the UK's economic growth remained resilient, with latest market data pointing to only a modest slowdown in economic activityⁱ.

Globally however, the picture remains mixed. In December 2016, the US Federal Reserve increased interest rates for only the second time in a decade, citing stronger economic growth and rising employment. In contrast, the European Central Bank extended its financial stimulus programme in an attempt to boost economic growth in the Eurozone.

Following the referendum, the Bank of England announced a package of measures including reducing Bank Base Rate to a new historic low of 0.25%, launching the Term Funding Scheme and expanding its asset purchase scheme for UK government bonds by £60bn. Indicators of UK economic activity and business sentiment recovered from the lows experienced immediately after the EU referendum. Unemployment levels remained at 4.8% in the three months to Decemberⁱⁱ and Gross Domestic Product growth was 2% in 2016ⁱⁱⁱ. However, the Bank's Financial Policy Committee warned the outlook remains challenging.

The decline in the value of sterling during the second half of 2016 is expected to exert upward pressure on inflation, which rose to 1.8% in the year to January^{iv}, reaching its highest level since June 2014.

Gross mortgage lending in the UK was £245bn^v for the 12 months to December 2016, up 11% year-on-year. The pace of house price inflation slowed in 2016 but remains positive. Halifax's House Price Index grew 6.5% compared to 9.5% in 2015^{vi}.

Competition within the mortgage market has continued to intensify, resulting in a reduction in the average new mortgage rate. Market rates paid to savers have also fallen – however, on average we pay 0.69%^{vii} more to savers than our competitors.

Regulation and industry developments

The regulatory agenda continues to evolve from both a conduct and prudential perspective. At the start of 2016, we implemented the Financial Conduct Authority's (FCA) Senior Managers' Regime, which aims to raise standards of governance and increase individual accountability in the banking sector. The Mortgage Credit Directive came into effect in March and introduced a framework of conduct rules across the European Union.

The FCA is now conducting an in-depth mortgage market study to determine whether borrowers have access to the right tools to be able to make effective decisions, with interim findings expected this summer and a final report due in early 2018. We will continue to monitor any developments.

In December 2016, the FCA's guidance following its cash savings market study became effective. This is designed to improve the way the market works for savers and I am pleased that many elements of our existing approach were recommended as best practice.

The Prudential Regulation Authority issued its final policy statement requiring stricter affordability assessments for buy to let mortgages and the Society had all necessary changes operating in advance of the rules coming into effect at the beginning of this year.

Board composition and corporate governance

To continue the Society's success we make sure we have the appropriate skills and expertise to run the business in the long term best interests of our members.

Richard Fearon joined the Board as Chief Commercial Officer in February 2016 and is responsible for product development, marketing and brand, digital, customer insight and distribution. His input and knowledge of the savings and mortgage markets has been invaluable as we continue to support our members.

In line with best practice recommended by the UK Corporate Governance Code, all directors are subject to election or re-election each year. A summary of their details can be found on pages 18 to 20. I ask you to support the nominations.

Susan Cooklin will retire from the Board at the AGM following promotion and an increase in the responsibilities of her executive role. Susan, who is a member of the Audit Committee, has served as a non executive director for three years and I would like to thank her for the valuable contribution she has made to the Society during her time on the Board.

Our Chief Executive Officer, Peter Hill, has done an excellent job of representing UK mortgage lenders as Chairman of the Council of Mortgage Lenders. I am pleased to report he will continue in this role until the new Financial Services Trade Association is formed later this year.

In accordance with EU audit reforms, and as explained in the 2015 Annual Report and Accounts, we placed our external audit engagement out to tender. Following a rigorous process, the Audit Committee made a recommendation to the October Board meeting that Deloitte LLP be reappointed. The Board agreed and this is being proposed to members at the April 2017 Annual General Meeting.

Summary

We do not expect the economic environment to get any easier in 2017. Interest rates are likely to remain low and there will be continued uncertainty around the process for leaving the European Union.

Nonetheless your Society remains in a very strong position and we will continue to focus on meeting the needs of our members, growing sustainably and investing in our long term future. Members will remain at the centre of everything we do and our skilled and dedicated colleagues will continue to deliver outstanding personal service. On behalf of the Board, I would like to thank them all for their passion and commitment.

Finally I would like to thank you, our members, for choosing to be part of a successful and independent building society.



Robin Ashton
Chairman

21 February 2017

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- (i) Source: Office for National Statistics – 2016 GDP 2.0% vs. 2015 GDP 2.2%
 - (ii) Source: Office for National Statistics – ILO Unemployment rate October-December 2016
 - (iii) Source: Office for National Statistics – Q4 2016 q4-on-q4 annual growth rate was 2.0%
 - (iv) Source: Office for National Statistics – CPI inflation
 - (v) Source: Council for Mortgage Lenders – Gross mortgage lending estimate for the 12 months up to December 2016
 - (vi) Source: Halifax HPI, December 2016
 - (vii) Source: CACI CSDB, Stock, January-November 2016. CACI is an independent company that provides financial services benchmarking data and covers 85% of the high street cash savings market
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2016 highlights with our CEO

Year ended
31 December 2016

I'm once again very proud to report that we've delivered on our mission as a member-owned building society and helped more people than ever save and have the home they want.

Throughout 2016, we consistently provided security and value through attractive products and excellent service to meet the expectations and needs of our growing membership, who remain at the centre of everything we do.

As a result, your Society now has more savers and borrowers than at any time in its history, and total assets now exceed £15.9bn. We'll carry on growing responsibly and sustainably and investing for the long term benefit of the business.

We're committed to delivering our Vision, to be 'Britain's most successful building society', which is built on our four pillars, and I'm pleased that we've made excellent progress against all of these in 2016.

Supporting the aspirations of borrowers and savers

In August, the Bank of England reduced Base Rate to a new historic low of 0.25%, from 0.5%, where it had been for over seven years. Our role is to balance the needs of all our members and whilst the prevailing interest rate environment has benefitted borrowers, we've taken a number of actions to help savers.



2016 key highlights:

Supporting the aspirations of borrowers and savers

- Helped a record 53,700 more people have the home they want – total mortgage balances now exceed £13.2bn
- Helped over 57,700 more people save for their future – total savings balances now exceed £11.2bn
- Total membership now more than 756,000, the highest in our history

Delivering outstanding personal service

- Independent member surveys show overall customer satisfaction improved to 92%
- Our colleagues deliver outstanding service to members and score highly for engagement, which increased to 78% in 2016
- Retained our 1* Best Companies rating, highlighting the Society as an 'employer of choice'

Continuing financial security

- Savings balances increased by £1.3bn, the highest in our history
- Record net mortgage lending of £1.9bn
- Losses and charges reduced by £27.2m to £3.5m
- Record profit before tax of £116.6m
- Our Common Equity Tier 1 capital ratio of 15.2% continues to demonstrate strong financial security

Investing in the Society

- Created 120 more high quality roles in 2016, taking the total workforce to over 1,420
- Launched Corporate Responsibility Framework and published targets for the first time
- Refurbished 24 branches as part of our ongoing programme to modernise our branch network

We paid an average of 1.66% to our savers compared to the rest of market average of 0.97%, which equates to an annual benefit to our savers of over £69mⁱ. Our consistent approach to supporting savers was recognised with the 'Best Building Society Savings Provider' award for 2016 from the independent comparison site Moneyfacts. In addition, we were named 'Best Regular Savings Account Provider 2016' for the second consecutive year by the independent consumer advice website Savings Champion.

Furthermore, we pay a minimum of 0.4% to all our saving membersⁱⁱ, 0.15% higher than the current Base Rate and, because of all the actions we've taken, balances are now over £11.2bn, their highest-ever level.

In 2016, we increased our market shareⁱⁱⁱ of savings and grew deposits by more than £1bn for the first time. Our success at attracting funds means we've been able to keep growing our mortgage lending.

We also increased our mortgage market share for the sixth consecutive year and lent more than £4bn, an increase of 28% compared to a year earlier, helping a record 53,700 more people have the home they want.

We remained focused on helping borrowers who are not well served by the wider market, by supporting first time buyers, Shared Ownership, Affordable Housing, Help to Buy and Interest Only. During the year, we lent over £1.42bn in these key segments and helped over 17,500 people, including 12,500 first time buyers, who might otherwise have found it more difficult to have the home they want.

Combining this with our mainstream and buy to let lending, our record mortgage performance in 2016 was achieved across a balanced product range.

Our support for borrowers was recognised again, with the 'Innovation in Personal Finance' award from Moneyfacts, for our Interest Only offering, and the 'Best Shared Ownership Mortgage Lender' award from What Mortgage magazine.

2016 highlights with our CEO

Year ended
31 December 2016



Delivering outstanding personal service

Listening to our members and understanding what they want from their Society helps us make the right decisions in the long term best interests of current and future members.

We've launched a Customer Closeness Programme for our Senior Leadership Team to gain a detailed insight into our members' experience when they interact with the Society. Our online members' forum, TalkingPoint, now has over 1,900 contributors taking part in regular research and discussions.

We ask our members how we can improve, and your feedback has helped us redesign our postal and email customer communication to be clearer, more straightforward and jargon-free and we've made the process simpler when changing account details.

We've reduced the time between mortgage application and offer, so people can be in their home sooner, and 92% of all customer instructions are processed on the day they're received. We carry out regular independent member surveys and overall customer satisfaction improved to 92%*.

I'd like to thank all my colleagues for their passion and commitment – regular surveys show they're highly engaged and for the second year running we've achieved accreditation from Best Companies, which is an industry accolade for employers.

We're also the first financial services organisation to achieve Investors in Diversity status, which further promotes Leeds Building Society as an 'employer of choice'.

Continuing financial security

Our strong and sustainable mortgage growth over the past five years, combined with a reduction in impairment provisions, led to a record profit performance of £116.6m.

This enabled us to maintain strong Common Equity Tier 1 and Leverage Ratios of 15.2% and 5.2% respectively and increase reserves to a record £874.3m. So we're well-placed to withstand economic uncertainty, continue to protect our members' money and keep on growing.

The resilient UK economy resulted in fewer borrowers experiencing financial difficulty and residential arrears¹ reduced from 1.43% in 2015 to 1.02% in 2016. We continued to manage down our commercial lending portfolio. Total losses and charges reduced by £27.2m in 2016 to £3.5m. Thanks to our strong financial performance, the Society was able to maintain strong credit ratings (long term 'A' ratings from Moody's and Fitch).

Competition among mortgage lenders remained strong in 2016, resulting in downward pressure on our net interest margin, which we expect to continue in 2017. This, combined with Bank Base Rate at a historic low and uncertainty following the decision to leave the EU, looks set to make 2017 more challenging.

Investing in the business

We've delivered record growth in recent years and, to support this, have continued to invest in talent, skills and infrastructure.

During 2016, we created 120 career opportunities and now employ over 1,420 colleagues. We moved our North East processing centre to a new, energy-efficient building, with more room for our larger workforce.

Branches play an important role in attracting the retail savings that enable us to grow mortgage lending. We've started a carefully considered cost-effective refurbishment programme of our network, which will be completed this year, creating a modern, more comfortable environment for members. As part of this, we'll significantly reduce our impact on the environment by using energy-efficient technology.

We'll continue to adapt so our branch network remains relevant and in appropriate locations to meet the ever-changing needs of our members. We're also developing our online account opening process to ensure members can contact us how and when they want – whether by phone, in branch, online, email or by post.

This investment means our cost to income ratio increased to 43% from 36% a year earlier but we maintained our cost to mean asset ratio at 0.62%. Our investment to deliver the products and service you expect from your Society includes a keen focus on cost control and we expect these ratios to remain amongst the best in the building society sector.

We also launched our new Corporate Responsibility Framework in 2016 and published targets for the first time. The Framework shows how we operate responsibly and sustainably for the long term benefit of our members, colleagues, communities and the environment. Our published targets help us plan how we can continue to do the right thing and show what progress we're making.

Outlook

Leeds Building Society has again delivered strong results and helped a record number of people save and have the home they want. We've done this by focusing on meeting our members' needs and membership numbers, savings and mortgage balances, profit and capital are all at the highest levels in our history.

We expect Bank Base Rate to remain low this year and competition to intensify in our core markets. Despite this, and the economic uncertainty surrounding the UK's exit from the EU, our successful sustainable business model means we're well-placed to deal with the challenges that may arise in 2017 and beyond.

We remain committed to investing in the long term interests of our members and further growing the Society by delivering value, security and outstanding service.

Thank you for your continued support.



Peter Hill
Chief Executive Officer
21 February 2017

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- (i) Source: CACI CSDB, Stock, January-November 2016. CACI is an independent company that provides financial services benchmarking data and covers 85% of the high street cash savings market
 - (ii) As long as the account is operated in line with the Terms and Conditions
 - (iii) Leeds Building Society defines market share as follows: Mortgages – Council of Mortgage Lenders market share statistics. Savings – Mutual sector net retail savings as published by the Building Societies Association
 - (iv) 1.5% or more of outstanding mortgage balances
 - (v) Customer Satisfaction rating based on the views of 4,649 customers

Our members
are what matter





At the heart of our Society

Without our members we wouldn't be here. That's why we make sure that everything we do is in your best interests. From the products we offer, to the way we do business and how we support our communities – each is developed with you in mind.

Even more focused on you

As you would expect, we've always been dedicated to getting things right for our members. But last year we really turned our focus to all things member as part of our vision to be Britain's most successful building society. A challenging goal, but something we're committed to achieving.

Member-led Society

In 2016 we made efforts to improve the way we listen to you, receive your feedback and grow our Society with your best interests in mind.

We made changes across the Society that focus on putting you at the heart of everything we do. Here are just a few examples:

Walking in your shoes

In order for us to understand you even more, last year our senior managers embarked on a series of activities to bring them closer to our members. This includes listening to calls, regularly visiting branches, experiencing our application process and dealing with complaints.

Listening to you

Since its launch, our online member forum TalkingPoint has gained over 1,900 members. We use the forum to gather your views and help guide our decisions. Last year, this included reviewing the role of our branches and helping to shape the way we communicate with you. That means you can trust that the views of our members are driving the way we do things.

If you're not already involved, we'd love to have you on board. Visit us online at leedsbuildingsociety.co.uk/talk

Making your visits even better

2016 saw us begin our long term improvement plan to modernise our branches and make your visits better than ever. And we've committed to doing this in the greenest way possible.

Find out more on page 14.

To the future

As well as the changes that will be visible to you, we're also doing plenty more behind the scenes to ensure members are at the heart of every decision we make. Upgrading our systems, streamlining our processes and improving training are all part of our commitment to you. You'll see more of these in the future so keep an eye out for details.

Doing the right thing. Our promise to you

We're more committed than ever to making sure we're doing what's right for our members, our colleagues and our communities.

For over 140 years we've been helping our members save for their future and have the home they want. In 2016 we set out our new Corporate Responsibility Framework to help us continue doing this in an open and responsible way, so you can be proud of your Society. This includes everything from our charity and community work to our environmental impact.

For the first time we've set public targets so we can make sure we continue to stay focused. These include increasing the number of first time buyers we help, making your Society greener by reducing our carbon emissions, and maintaining our customer satisfaction by doing what's right for our members.

Here are some examples of the work we've been doing to build a better Society for you and your community in 2016:

Accessible for every member

After listening to your feedback, we've been doing even more to make sure we're there for every member, whatever their needs or circumstances. We've increased our maximum age to 80 for residential mortgage applications and continue to offer Shared Ownership and Help to Buy Equity loan mortgages to give more people access to the home they want.

We've introduced specialist training for colleagues and procedures across the business to ensure we can offer vulnerable customers the support and services they need.

A greener society

We're committed to making sure we're reducing our carbon footprint and 2016 saw us doing more than ever to make that change. We now use 100% Green Tariff energy, are actively reducing the amount we contribute to landfill, and are recycling 100% of paper used in our offices.

In 2016 our Contact Centre moved into a more energy-efficient building at Cobalt Park in the North East. The new premises offer eco-friendly technology such as rainwater harvesting and solar thermal panels. Our attention also turned to our branches, with the installation of LED lighting, which uses around 80-90% less energy than standard bulbs.

Working together for charity

Supporting local charities really matters to us, and our colleagues never tire in their enthusiasm to help those who need it. In 2016 the Society, its colleagues and members donated over £345,000 to charities and good causes.

As part of this, our members have also made a fantastic contribution to charity, generously giving over £118,000 through the Your Interest in Theirs scheme and Caring Saver account. Through these initiatives our members and the Society contribute to charity based on our members' savings accounts and the interest they earn on their accounts. So they can feel good about their savings in more ways than one.

Read more about our charitable work on pages 16 and 17.



Some of our 2017 to 2020 targets:

- Help 30,000 first time buyers get onto the property ladder.
- Reduce carbon emissions across the business by 150,000kg of CO₂.
- Contribute 8,000 colleague-volunteering hours for local communities.
- Increase our TalkingPoint membership to 2,500.



Making a difference together



Supporting local and national charities is a huge focus for us, so we're delighted to tell you that Leeds Building Society Charitable Foundation has helped over 2,000 charities and important causes across the UK since its launch in 1999.

Your generosity, coupled with enthusiastic fundraising and volunteering by our colleagues, has enabled us to raise over £1.5m in donations so far. We've passed these funds straight to local communities around our branches to help those in need.

So far, we've funded respite breaks for children with cancer, riding lessons for people with disabilities, and supported many other charity and community projects.

Supporting Sense with a significant donation

To celebrate reaching a fantastic fundraising milestone, we donated £10,000 to Sense, a charity chosen by our members. Sense supports people who are deafblind, have sensory impairments or complex needs and this donation will enable them to purchase sensory equipment for their new centre in Rotherham.

We need you

We're looking for organisations that need our help. Our Charitable Foundation supports community-based projects all over the UK, focusing on those which provide relief from suffering, hardship or poverty, or their direct consequences.

Visit leedsbuildingsociety.co.uk/charitable-foundation for more details of how registered charities can apply for up to £1,000 in funding.



Time to give back

Did you know that all of the Society's colleagues can choose to take time off each year to support local communities? In 2016, the number of colleagues volunteering doubled, leading to 2,000 hours spent supporting 70 community projects.

Want to know what's going on in your area? To find out more visit leedsbuildingsociety.co.uk/charity

Board of Directors



Robin Ashton
Chairman
(59)

I joined the Board as a non executive director in April 2011 and became Chairman in March 2013.

As Chairman, I attend many Board committees and I'm responsible for chairing and overseeing the performance of the Board of the Society. I'm a strong supporter of the building society sector and the mutual business model, which plays an important role in UK financial services. I'm a Chartered Accountant and spent my executive career in retail financial services. This has provided me with skills and experience, across a broad range of areas and, in particular, credit, treasury, audit and accounting. I'm also a non executive director of Shawbrook Group plc and its subsidiary Shawbrook Bank Ltd. I'm married with three children and I enjoy reading and motorsports.



Peter Hill
Chief Executive Officer
(55)

I have over 37 years' experience in retail financial services, covering a wide range of disciplines.

I entered the mutual sector in 2001, joining the Society as General Manager (Sales) before moving into operations. I was appointed Operations Director in 2006 and Chief Executive Officer in 2011. As CEO, I'm responsible for developing and proposing the Society's strategy, objectives and plans, and the development of the Society's business model and culture. I'm Chairman of the Council of Mortgage Lenders, a director of the new Financial Services Trade Association (NewTA), an Associate of the Chartered Institute of Bankers and a fellow of the Royal Society of Arts. I'm married with two sons and a keen follower of Leeds Rhinos Rugby League Club.



Philippa Brown (50)

I joined the Board as a non executive director in January 2013, bringing a strong consumer, branding, digital and marketing perspective to the role.

I'm also a member of the Remuneration Committee. Putting our members' interests at the heart of the Society is important to me and integral to our business. I've been employed in marketing and advertising for over 25 years and I'm Chief Executive Officer of leading UK media agency Omnicom Media Group UK. Outside work, I enjoy swimming and have two children. I also support Breast Cancer Now and Future Dreams charities.



Susan Cooklin (56)

I joined the Board as a non executive director in February 2014 and I'm also a member of the Audit Committee.

I'm the Route Services Director at Network Rail Infrastructure Ltd, having previously been Group Chief Information Officer. Prior to this I was a senior executive at Barclays Bank within operations and technology. I bring to the Society broad expertise in enterprise risk and technology. I spent my early career in the building society sector and I'm proud to be part of a mutual organisation where our members' interests are central to our business. Outside work, I enjoy spending time with my family and swimming.

Susan will be retiring from the Board at the 2017 AGM.

**Richard Fearon (38)**

I joined the Board as Chief Commercial Officer in February 2016 and I'm responsible for the Society's strategy and direction across product development, customer and digital, as well as direct and intermediary distribution.

I chair the Society's Corporate Responsibility Steering Group and Conduct Risk Committee. After starting my career at Oliver Wyman & Company, I spent 10 years at Lloyds Banking Group in senior roles in the mortgages and savings businesses before joining the Society. My experience has given me an excellent understanding of product development to meet customer needs, as well as strong strategic and commercial skills. I'm married with three young children and enjoy spending time with my family, and if there's ever a quiet moment, reading.

**David Fisher (58)**

I joined the Board in March 2012. I chair the Board Risk Committee and my responsibilities include safeguarding the independence of the compliance and risk functions.

I also chair the Pension Trustee Board and I'm a member of the Remuneration Committee. I started my financial services career with Halifax Building Society 27 years ago. Prior to joining the Society, I was Chief Executive of Sainsbury's Bank. I'm the Chairman of Amicus Finance plc and I also undertake a number of advisory roles. During my career, I've developed a wealth of knowledge in retail financial services and a strong understanding of risk management, pensions and human resources. I'm delighted to return to my mutual roots and be part of a Board that's totally committed to mutual status. Outside work, I'm married with two daughters and I'm a keen alpine walker and runner.

**Andrew Greenwood (47)**

I joined the Board as Chief Risk Officer in 2015 and I'm proud to be a director of the Society.

I started my career as a solicitor in private practice and have worked for the Society since 1998 in a variety of legal, compliance and risk-focused roles. I've developed extensive experience of working in a highly regulated environment. My skills and experience enable me to lead the Risk Division, which comprises a number of specialist teams. I'm responsible for the overall management of the risk control framework of the Society, which includes co-ordinating and managing principal risks and risk appetite. I report directly to the Board Risk Committee and attend all of the Society's management committees. I live near York with my wife and two young children and enjoy watching sport and spending time with family and friends.

**Gareth Hoskin (56)**

It's a great privilege to serve the members of Leeds Building Society, as I believe strongly in its mutuality and social purpose.

I joined the Board in November 2015. I chair the Audit Committee where my responsibilities include safeguarding the independence of the Internal Audit Function and I'm the Society's Whistleblowing Champion. I also serve on the Board Risk Committee. Over my 30-year career, I've gained extensive UK and international financial services experience as a director of Legal & General plc and CEO of its International Division, and previously as a Chartered Accountant at Price Waterhouse. I support Diabetes UK Ltd as a non executive director, Trustee and Audit Committee Chair and I'm also an Advisor to Green Park Partners Ltd. I'm married with two children and enjoy playing golf, travelling and spending time with my family.



John Hunt (62)

I joined the Board as a non executive director in April 2015.

I chair the Models and Rating System Committee and am also a member of the Board Risk Committee. I began my banking career with Yorkshire Bank in Leeds. Since then, I've held senior posts in a number of major UK and international banks and was a founder member of the Global Credit Data Consortium. My areas of particular specialism fall within credit and treasury risk management. The past few years have been turbulent in the financial services world and I'm proud to be a Board member in a Society that's fully committed to mutuality, with its members' best interests at heart. I'm married with two sons.



Philip Jenks (66)

I joined the Board in March 2012. I'm a member of the Society's Board Risk and Models and Ratings System Committees.

I'm also Chairman at Charter Court Financial Services Group and I've worked as a consultant for organisations including the Government on housing related projects. With over 40 years' experience in the financial services and mortgage industries, I've developed a strong understanding in these and other specialist areas including credit and conduct risk management and technology. I fully appreciate the value of mutuality and I'm proud to be a director at a Society that's focused on getting things right for its members. I'm married with three children and enjoy walking, watching sport and going to the theatre.



Robin Litten (53)

I joined the Society in 2012 as Chief Financial Officer having spent the last 15 years in the mutual building society sector.

I've held senior roles at Barclays Bank, Skipton and Scarborough Building Societies. My role is to ensure that 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, I lead the Society's Finance, Treasury and Strategy teams and I'm Chairman of the Assets and Liabilities Committee. Outside work, I enjoy spending time with my family, playing squash and cycling.



Les Platts (63)

I joined the Board in 2010 and I'm the Vice Chairman and Senior Independent Director.

I chair the Remuneration Committee and I'm responsible for overseeing the development of, and implementation of, the Society's remuneration policies and practices. I'm also a member of the Audit and Nominations Committees. The Society, with its proud history and firm commitment to mutuality, is a very strong part of Leeds' business community. As a Chartered Accountant, I was the Senior Partner for Deloitte in their Leeds office where I developed a deep understanding in the auditing and accounting arena. I've also developed a strong understanding in the fields of enterprise risk and human resources. Now, I'm Chairman of an investment administration business and Honorary Treasurer of Lancashire County Cricket Club. Outside work, I'm married with two children and I support the NSPCC.



Karen Wint (51)

I've been Chief Operating Officer since late 2012.

I've worked in financial services for over 30 years with relevant experience to ensure that we have the right people, processes and technology in place to continue to deliver great service and value to our members. That includes continuing to change and update how we do things to meet new customer expectations in a rapidly changing world. I'm Chair of the Operational and Regulatory Risk Committee and a member of the Executive Committee. I'm a Chartered Banker and enjoy walking and spending time in the Yorkshire Dales.

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 2016.

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 2017, or from the Society's website (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 2016 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 21 February 2017 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

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

Results for the year 2016	2016	2015
	£m	£m
Net interest receivable	201.8	207.5
Other income and charges	11.5	12.3
Fair value gains less losses on financial instruments	(1.3)	(0.9)
Administrative expenses (including depreciation and amortisation)	(91.9)	(79.7)
Impairment losses	0.9	(18.5)
Investment property fair value movement	–	(3.4)
Impairment losses on land and buildings	(0.5)	–
Provisions for liabilities and charges	(3.9)	(8.8)
Operating profit and profit before tax	116.6	108.5
Taxation	(30.6)	(19.6)
Profit for the year	86.0	88.9
Financial position at the end of the year		
Assets:		
Liquid assets	1,904.0	1,676.7
Mortgages	13,225.8	11,312.0
Other loans	251.9	232.3
Derivative financial instruments	263.1	104.9
Fixed and other assets	284.9	180.7
Total assets	15,929.7	13,506.6
Liabilities and equity		
Shares	11,233.2	9,932.9
Borrowings	3,400.8	2,531.0
Other liabilities	182.0	91.4
Derivative financial instruments	214.4	135.7
Subscribed capital	25.0	25.0
Equity	874.3	790.6
Total liabilities and equity	15,929.7	13,506.6
Summary of key financial ratios		
Gross capital as a percentage of shares and borrowings	6.11%	6.55%
Liquid assets as a percentage of shares and borrowings	13.01%	13.45%
Profit for the financial year as a percentage of mean total assets	0.58%	0.69%
Management expenses as a percentage of mean total assets	0.62%	0.62%

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 2016 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 2016 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

21 February 2017

Directors' Remuneration Report

Dear Member

I'm pleased to present the 2016 Directors' Remuneration Report, produced in compliance with the FCA dual-regulated firms Remuneration Code. It details our annual report on remuneration for the Society's executive directors and other Material Risk Takers (MRTs) for the year ended 31 December 2016.

The Remuneration Policy has been updated for 2017, in respect of the European Banking Authority (EBA) guidelines on Sound Remuneration Policies. The revised Policy will apply, from the date of the Annual General Meeting in 2017, subject to consideration of the outcome of the Ordinary Resolution.

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

Remuneration policy

After a review of the measures of success for executive directors' variable remuneration, the Remuneration Committee has, from 2017, changed the performance measures for the annual bonus scheme to:

- ensure a better alignment to our short and long term strategy and objectives;
- align reward with our culture and values, with specific focus on customer and colleague metrics.

The performance measures, designed to support the long term interests and security of the Society, are equally balanced between financial, performance and personal objectives. The financial metric is related to our corporate objective relating to profit, providing security to our members. The performance element is based on a range of metrics, designed to support our strategy. For 2017, the priorities which will be remunerated are customer satisfaction, colleague engagement, our mortgage lending aspirations and cost management. Each year, the Remuneration Committee will agree these priorities, to ensure we are rewarding activities appropriate to our strategy and culture. Each executive director will also be set personal objectives, relevant to their individual responsibilities. In line with our commitment to the Women in Finance charter and our people agenda, each executive director will have a personal objective in 2017 related to the development and implementation of our Diversity strategy.

The bonus opportunity for our executive directors remains unchanged. Target performance will yield a payment of 47.5% of base salary, and the maximum bonus opportunity is 75%. The scheme for our Chief Risk Officer is based on solely personal objectives, with a maximum bonus opportunity of 50%. 40% of any award, for all executive directors, will be deferred over three years.

It is important we ensure our Remuneration Policy always remains in line with legal and regulatory requirements, so where we need to respond to such changes, the Remuneration Committee will use its discretion to amend the scheme accordingly. If this happens, we will describe what we have done in our next report and it will be formally incorporated into our Remuneration Policy when it is next put to our members for a vote.

2016 performance and awards

The Board continues to support an ambitious strategy for the Society, set to ensure we continue to have a thriving, sustainable business, which meets the needs of our members. For 2016, the Remuneration Committee set five priorities for executive directors, related to profit, creating value through growth, developing a customer strategy, colleague engagement and developing our risk maturity.

Earlier sections of the booklet explain that we delivered a very strong financial performance, with net lending of £1.9bn (2015: £1.4bn), substantially ahead of our plan of £1.3bn. The Committee has noted that this was achieved within our agreed risk appetite, without detrimentally impacting other priorities, and was primarily as a result of the executive team responding well to changing market opportunities throughout the year.

In 2016, we achieved another record for profit, at £116.6m (2015: £108.5m), again substantially ahead of our expectations of £96m. It is important for members to note that no significant conduct or prudential issues have arisen relating to profit incentivisation.

A focus for the executive directors during the year has been the development and implementation of our customer strategy, for which all the milestones have been achieved or exceeded, improving the experience for our customers. We realise we have still some distance to travel to meet our members' ever-changing expectations and it remains a key priority for us. In relation to our corporate objective for online capability for savings and mortgage processes, we have not achieved everything we planned for 2016 and, therefore, no bonus payment will be made relating to this element of our corporate objectives.

On a very positive note, our colleagues continue to do outstanding work, providing members with great service and expertise. We are proud to have retained our Best Companies accreditation and our colleague engagement has increased to 78%, ahead of our target.

The sustainability of the Society is paramount and we have continued to develop our risk management approaches, delivering the majority of our planned actions. We are continuing to finalise some of our credit risk measurement developments.

Directors' Remuneration Report

The Remuneration Committee has considered the performance of the Society and the executive directors in detail, balancing the strong financial, customer strategy and colleague engagement performance with the element of our risk maturity actions outstanding and the delivery of our technology solutions not being achieved.

In this context, annual bonuses of between 39.63% and 64.67% have been awarded to the executive directors. This represents between 79% and 86% of the maximum award available.

The Remuneration Policy includes a risk assessment process, under which the Remuneration Committee considers a range of factors and input from the Board Risk Committee. These include whether the executive directors have operated within the agreed risk appetite, the exposure of the business to any significant regulatory or control failings and any financial exposure resulting 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.

40% of the bonus award for the executive directors will be deferred and paid in equal instalments over the following three years.

In April 2016, following external benchmarking and as reported last year, the Remuneration Committee agreed salary increases of 14.3% for the Chief Executive Officer and 4.7% for the Chief Risk Officer. The salaries of other executive directors increased by 2.5%, as did the Chairman's fee. The basic salary increase for other colleagues ranged from 0% to 5% with an average of 3.17%.

In addition to executive directors, a small number of other colleagues are considered to be Material Risk Takers. These include senior managers whose actions have a material impact on the risk profile of the Society. The average basic salary increase for this group in 2016 was 5.6%.

For 2017, the Remuneration Committee has given consideration to the scope, responsibilities and market conditions (using external benchmarking) of executive director roles. As such, the Chief Risk Officer's salary will increase by 14.66%, the Chief Operating Officer's salary will increase by 12.16% and the Chief Commercial Officer's salary will increase by 4%. The salaries of other executive directors will increase by 2%, in line with our colleague population.

Other matters considered by the Remuneration Committee

The main role of the Remuneration Committee is to set our Remuneration Policy including pay, bonuses and other benefits for executive directors and Material Risk Takers. Our aim is to maintain market competitive salaries and other benefits, in line with our strategy and the responsibility that is placed on our senior people in respect of the Society's long term future. This is to ensure that we are able to attract and retain the best people to deliver the Society's goals.

I chair the Remuneration Committee, which has two other non executive director members: David Fisher and Philippa Brown. 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 2016, which dealt with the annual review of compliance with the Remuneration Code, consideration of a number of regulatory changes on remuneration, the setting and review of performance against objectives and oversight of the general colleague bonus scheme and pay award.

In addition, following the full review of the variable pay element of executive reward concluded in 2016, the Remuneration Committee considered the underlying measures of success for the annual schemes, as detailed above in the Remuneration Policy section of my report.

Summary

I hope that you will find this report informative and I look forward to seeing you at the AGM. The Remuneration Committee recommends that members vote in favour of the Directors' Remuneration Report and Remuneration Policy at the AGM.



Les Platts

Chairman of the Remuneration Committee

21 February 2017

Directors' Remuneration Report

Directors' remuneration policy

The Society's Remuneration Policy is designed to 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, whilst providing value for members.

The following table summarises the principal components of the executive directors' total remuneration. Details which are commercially sensitive have not been provided, but performance against target is disclosed.

Element of pay	Link to strategy	Operation	Performance measures	Minimum and maximum payable
Basic salary	Reflects level of accountability. Provides ability to attract and retain executives through market competitive rates of pay.	Once set, any future increases are linked to personal performance and market benchmarking. Base 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.	As for all colleagues, increases are based on personal performance.	Whilst there is no specified maximum, the base salaries of executive directors are reviewed as for any other colleague in accordance with the standard award matrix. The only exceptions are: (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. (ii) There is a material increase in scope or responsibility to the executive director's role.
Annual bonus scheme	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.	Challenging performance objectives are aligned with our Corporate Plan, recognising short, medium and long term goals. 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. Robust risk evaluation measures are independently assessed by the Chief Risk Officer and the Board Risk Committee.	The 75% maximum is split between: Financial – 25% Performance – 25% Personal – 25%. The financial measure is based on profit. Performance measures are set at the start of each year and include value-enhancing growth, customer satisfaction and colleague engagement. Personal performance objectives, appropriate to the responsibilities of the director, are set at the start of each year and agreed by the Remuneration Committee. The 50% maximum for executive directors in a control function is based on a range of personal objectives.	Maximum of 75% of basic salary payable with 40% of the award deferred over a three year period. Executive directors in a control function have a maximum of 50% of basic salary payable with 40% of the award deferred over a three year period. Minimum is 0% of basic salary.

Directors' Remuneration Report

Element of pay	Link to strategy	Operation	Performance measures	Minimum and maximum payable
Operation of malus and clawback ⁽¹⁾	Deferred element has been introduced in compliance with applicable regulations and ensures the annual performance creates value sustained over the longer term.	<p>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:</p> <ul style="list-style-type: none"> – has management operated within the risk appetite of the business? – has the business been exposed to any significant regulatory or control failings? – has there been any financial exposure after the award has been made due to inappropriate management behaviour? 	Not applicable.	Maximum 100% of the deferred bonus awards are subject to malus and clawback. 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.	<p>A range of relevant employer contributions, for example for age range = or > 53, up to 23% of basic salary.</p> <p>Cash allowance is in lieu of employer contributions, up to 23% of basic salary.</p>
Benefits	Provides market competitive remuneration.	<p>The principal benefits executive directors receive are:</p> <ul style="list-style-type: none"> – life assurance – private medical insurance – long term health insurance – cash health plan. <p>Other benefits may be provided based on individual circumstances, for example, relocation.</p>	Not applicable.	<p>Life assurance (up to 4 x basic salary).</p> <p>Other benefits are set at an appropriate level in line with market practice.</p>

(1) 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.	Fees are reviewed annually with recommendations made to the Board by executive directors. Non executive directors receive a basic fee and an additional fee for chairing a committee. Fee levels are benchmarked against other financial services organisations.	Not applicable.	The fees of non executive directors are reviewed by the executive directors as for any other colleague in accordance with the standard award matrix. The only exceptions are: (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. (ii) There is a material change in responsibility to the non executive director's role.
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	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. 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. Where an executive director is appointed internally, all previous commitments relating to remuneration will be honoured, subject to meeting the relevant criteria.
Basic salary and benefits	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. The executive director will be eligible to receive benefits as set out in the Remuneration Policy table.
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-rated 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

Replacement awards	When replacement awards cannot be avoided, the Committee will seek to 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. 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.
Recruitment remuneration	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.

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 12 months.

The standard contract is available to view at the registered office.

None of the executive directors currently hold 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	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.
Basic salary and benefits	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 that the executive director would have received if still in employment with the Society.
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

Year ended
31 December 2016

Total remuneration summary

The total remuneration received by executive directors for 2016 is detailed below, compared with 2015. The total remuneration for executive directors equates to 2% of pre-tax profits. This information has been audited and shows remuneration for the years ending 31 December 2015 and 31 December 2016, as required to be reported under the Building Societies (Accounts and Related Provisions) Regulations 1998.

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.

2016 audited

Executive directors	Salary	Annual bonus	Pension	Loss of office	Total remuneration
	£'000	£'000	£'000	£'000	£'000
P A Hill	387	252	89 ⁽¹⁾	–	728
R S P Litten	267	168	58 ⁽¹⁾	–	493
K R Wint	208	130	42 ⁽¹⁾	–	380
A J Greenwood ⁽²⁾	233	94	57 ⁽¹⁾	–	384
R G Fearon ⁽³⁾	198	124	34	–	356
Total remuneration ⁽⁴⁾	1,293	768	280	–	2,341

2015 audited

Executive directors	Salary	Annual bonus	Pension	Loss of office	Total remuneration
	£'000	£'000	£'000	£'000	£'000
P A Hill	348	226	75 ⁽¹⁾	–	649
R S P Litten	260	160	52 ⁽¹⁾	–	472
K L Rebecchi ⁽⁵⁾	101	65	20 ⁽¹⁾	224	410
K R Wint	203	129	41	–	373
A J Greenwood ⁽²⁾	224	94	55 ⁽¹⁾	–	373
Total remuneration ⁽⁴⁾	1,136	674	243	224	2,277

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 8 January 2015.

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

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

(5) This director left the business on 30 June 2015. As reported in last year's Annual Report and Accounts a loss of office payment was made, consisting of £136,407 paid in respect of the balance of contractual entitlement, and £87,500 was paid which was reflective of an assessment of the director's statutory rights and in accordance with the Remuneration Policy.

Performance outcomes against targets for incentive awards

The 2016 scheme has generated awards of between 39.63% and 64.67% of salary for executive directors, reflecting between 79% and 86% of the maximum award available.

The 2016 scheme provides for:

- Personal performance measures (max. 30% opportunity, with 10% of this for superior performance).
- Corporate measures (max. 30% opportunity, with 10% of this for superior performance).
- Peer group assessment (max. 15% opportunity). These are quantitative measures, which were selected as being those most closely aligned to our long term vision. These are objectively compared to published data from our peer group, against which the Society has performed at the upper end of expectations.

Directors' Remuneration Report

For executive directors in control functions the scheme provides for:

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

Pensions and other benefits

P A Hill and R S P Litten 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 a deferred member of the defined benefit section of the pension scheme. Up to 31 March 2016, A J Greenwood was an active member of the defined contribution section of the pension scheme. From 1 April 2016, A J Greenwood became a deferred member of the defined contribution section of the pension scheme and opted to receive cash allowance in lieu of the Society's pension contribution. K R Wint 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. R G Fearon is an active member of the defined contribution section of the pension scheme. 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. There have been no other changes to benefits during 2016.

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 £85,961 has been made in 2016 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 ⁽¹⁾		Committee chair fees		Total	
	2016 (£'000s)	2015 (£'000s)	2016 (£'000s)	2015 (£'000s)	2016 (£'000s)	2015 (£'000s)	2016 (£'000s)	2015 (£'000s)
R J Ashton (Chairman)	141	137	8	7	–	–	149	144
L M Platts (Vice Chairman)	62	61	4	5	–	–	66	66
P A Brown	46	45	3	3	–	–	49	48
S Cooklin	46	45	3	2	–	–	49	47
D Fisher ⁽²⁾	46	45	–	–	15	10	61	55
G Hoskin – appointed 16 November 2015	46	6	4	2	10	1	60	9
J A Hunt – appointed 29 April 2015	46	30	4	4	10	7	60	41
P A Jenks	46	45	–	–	3	10	49	55
A Rajguru – retired 26 March 2015	–	10	–	1	–	–	–	11
I Robertson – retired 31 December 2015	–	45	–	–	–	10	–	55
Total	479	469	26	24	38	38	543	531

(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 non executive director took on additional responsibility in respect of the Board Risk Committee and is also the Chairman of the Pension Scheme Trustees.

In 2016, an increase of 2.5% was agreed for the Chairman to £141,350. The fee for the Vice Chairman was increased by 2.6% to £62,500 and the basic non executive director's fee was increased by 2.7% to £46,300. The committee chair fee was also increased by 2.5%.

Notice of Annual General Meeting

Year ended
31 December 2016

Notice is given that the 142nd Annual General Meeting of the members of Leeds Building Society will be held on Thursday 6 April 2017 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 2016.
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 2016.
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 2017 Annual General Meeting.
5. To consider and if thought fit, re-elect the following as directors:
 - (a) to re-elect Robin James Ashton;
 - (b) to re-elect Philippa Anne Brown;
 - (c) to re-elect Richard Guy Fearon;
 - (d) to re-elect David Fisher;
 - (e) to re-elect Andrew John Greenwood;
 - (f) to re-elect Peter Anthony Hill;
 - (g) to re-elect Gareth John Hoskin;
 - (h) to re-elect John Anthony Hunt;
 - (i) to re-elect Philip Anthony Jenks;
 - (j) to re-elect Robin Stephen Patrick Litten;
 - (k) to re-elect Leslie Michael Platts;
 - (l) to re-elect Karen Rita Wint.

By Order of the Board



Katherine Tong
Director of Compliance & Secretary
21 February 2017

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 proxy to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as a proxy and your proxy does not need to be a member of the Society. Your proxy may vote for you at the Meeting but only on a poll.
3. You can instruct your proxy 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 6 April 2017, and

Membership: you (a) had a shareholding in the Society of at least £100 on 31 December 2016 or

(b) owed at least £100 to the Society on a mortgage loan on 31 December 2016; and

you are either a shareholding member (whatever your account balance is) continuously between 31 December 2016 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 Wednesday 5 April 2017 if you are using a form to vote by proxy or if you are voting online, or Thursday 6 April 2017 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 proxy, other than the Chairman of the Meeting, to attend the Meeting and vote on your behalf, please ensure that your proxy brings an appropriate form of identification to the Meeting.

If you appoint a proxy to vote on your behalf and your proxy 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 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.

In accordance with EU audit reforms, and as set out in the 2015 Annual Report and Accounts, during 2016 the Society re-tendered the external audit engagement for the 2017 year end.

Four external audit firms were invited to tender and provide a written proposal which was then scored against a set of pre-agreed criteria. Following a detailed and rigorous process, the Audit Committee made a recommendation to the October Board Meeting, with a stated preference for the re-appointment of Deloitte LLP. The Board agreed that the re-appointment of Deloitte LLP would be proposed to members as an Ordinary Resolution at the 2017 Annual General Meeting.

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 2016. 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. 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.

The Directors' Remuneration Policy was updated in 2016 to reflect current regulations, including the European Banking Authority guidelines on Sound Remuneration Policies. The Remuneration Committee has changed the performance measures for the annual executive director bonus scheme, from 2017, to ensure alignment to the Society's strategy and objectives, including a focus on

customer and colleague metrics. The policy also provides the Remuneration Committee with the discretion to make changes to the policy to respond to future legal or regulatory changes which may impact the Society.

The vote on Resolution 4 will be treated as advisory only. In line with the requirements for listed companies, the Society intends to ensure that members vote on the Directors' Remuneration Policy every three years, unless the Society proposed to amend the policy, in which case a resolution to approve the amended policy would be proposed at the next following Annual General Meeting.

5. 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. Susan Cooklin is retiring as a non executive director at the conclusion of the 2017 Annual General Meeting and is not, therefore, seeking re-election.

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 re-election, and FOR all other resolutions.

Attending the Annual General Meeting

Thursday
6 April 2017
11am



Map of Marriott Hotel location and nearby parking

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

Bus/Train

The hotel is easily accessible by public transport. It's approximately five 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 a one minute walk away on Boar Lane, and we'd recommend booking a taxi in advance.

Parking

Parking is available at:

- Trinity car park, situated on Swinegate (LS1 4AG)
- Q Park Criterion Place also on Swinegate (LS1 4AG)
- Open air Pay and Display on Crown Street (LS2 7DE)

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 proxy, 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 proxy to vote on your behalf and your proxy 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.

Each of the charities listed here has 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
leedsbuildingsociety.co.uk/voting

Leeds Building Society Charitable Foundation

Established in 1999, Leeds Building Society Charitable Foundation supports communities around its nationwide network of branches. It helps by making donations to charities working in those areas which aim to provide relief of suffering, hardship or poverty, or their direct consequences.



Sense

Sense is a national charity that supports and campaigns for children and adults who are deafblind or have sensory impairments. They've been supporting people who have sensory impairments to enjoy more independent lives for the last 60 years.



Depaul UK

Depaul UK helps young people aged 16-25 sleeping rough or without a safe permanent home. Every year they provide emergency accommodation and longer term support to 3,700 young homeless people in crisis and help them progress beyond homelessness.





Let's talk

Pop into your local branch

leedsbuildingsociety.co.uk/branch

Call **03450 502 254**

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).