

# Highlights 2013

**Record  
savings  
balances**



**Record  
membership  
numbers**



**Exclusive loyalty  
savings bond**

See back page

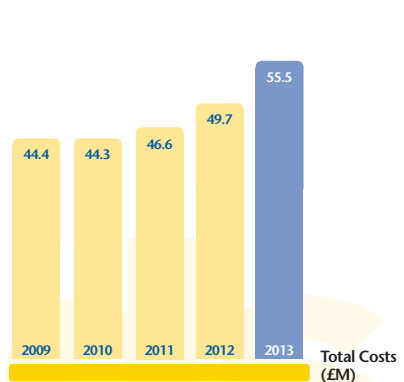
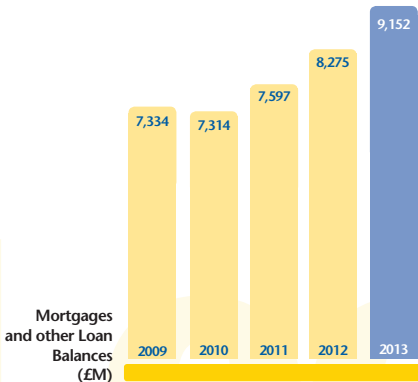
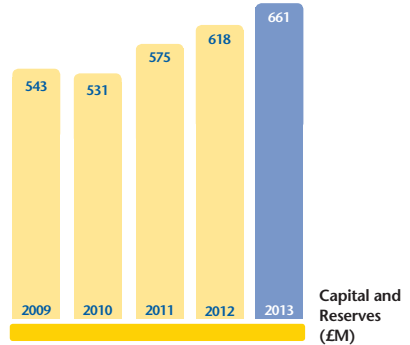
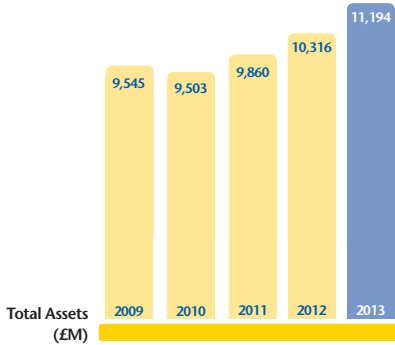
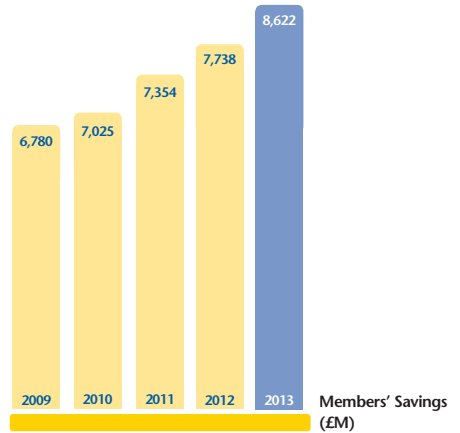


**Make your vote count!**

Important information inside.

**Leeds**  
Building Society

# Five Year Review



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#### Images on this page:

1. Colleagues who completed Oxfam's 100km walk in 23 hours.
2. Branch Manager Nichola Mullaney skydiving for Chellow Hearts Charity.
3. Blooming Great Tea Party for Marie Curie Cancer Care in the summer.
4. Our 'Helping Hand' scheme helped John Egginton (middle) buy his first home.



#### Front cover images:

**Top:** Over £10,000 raised for the 2013 BBC Children in Need Appeal.

**Bottom:** Variety – The Children's Charity thank Chief Executive Peter Hill (left) for the Society's ongoing support.

# Chairman's Statement

For the year ended 31 December 2013



**In my first year as Chairman, I am pleased to report another strong performance and a good set of financial results. Throughout 2013, Leeds Building Society made significant progress as we continued to develop the business to meet the ever changing needs of our members and a dynamic market place.**

Our assets are now £11.2bn, an increase of 9% from a year ago, and we have more members than at any time in our history. A good profit performance gives us the ability to reinvest in the Society and increase our capital and reserves so that we can continue to grow whilst remaining well placed to deal with any economic shocks that may arise.

These results clearly demonstrate the continued effectiveness of our business model and the important role building societies have in UK financial services.

## ECONOMIC BACKGROUND

In 2013, the UK economy experienced higher than expected GDP (Gross Domestic Product) growth, rising house prices and falling unemployment.

During the year, Government initiatives such as the Funding for Lending and Help to Buy Schemes helped to improve the cost and availability of

residential mortgages. The latest estimates from the Council of Mortgage Lenders show the number of residential property transactions in 2013 exceeded one million for the first time since 2007, but this remains subdued when compared to pre-recession levels of 1.7 million transactions in 2006 and 1.6 million in 2007.

Building societies have maintained their share of a growing UK savings market. In 2013, household deposit balances increased by 3.7% to over £1.2 trillion<sup>1</sup>.

## REGULATION AND INDUSTRY DEVELOPMENTS

The busy regulatory agenda continued in 2013. The Financial Services Authority's (FSA) Retail Distribution Review, which relates to the sale of regulated investment products, came into effect at the beginning of the year. This fundamentally changed the market for long-term savings products and, in 2012,

prompted us to review our own arrangements in this area. We wanted to ensure that members would be able to continue to benefit from advice on investments and retirement planning in our branches, which is why we established our partnership with Legal & General.

In April, the FSA was replaced by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA). The FCA focuses on consumer protection and the PRA on financial stability. In December 2013, the Financial Services (Banking Reform) Act became UK law, following recommendations made by the Independent Commission on Banking. It is anticipated that implementation of the Act will commence in 2014. This will introduce a number of changes aimed at creating a safer banking sector.

At the start of 2014, a package of reforms to EU legislation, known as CRD IV, applies to the Society. One of the objectives of CRD IV is to improve the

“ Our assets are now £11.2bn, an increase of 9% from a year ago, and we have more members than at any time in our history. ”

amount and quality of capital held by financial institutions. We are well placed for this legislation with a Core Tier 1 Capital Ratio of 14.4% and a Leverage Ratio of 5.4%<sup>i</sup>, both of which are in excess of the current minimum requirements of 8% and 3% respectively.

From 26 April 2014, the Mortgage Market Review (MMR) rules come into effect, with the most significant change applying to the assessment of the affordability of a mortgage. We are already making all the necessary changes to our processes to ensure we are ready for implementation and will continue to offer mortgage advice to our members.

In line with an update to the Building Societies Association Model Rules issued in October 2013, we are proposing a Rule change to permit the issue of new forms of capital instruments, including Core Capital Deferred Shares (CCDS). Whilst we have no plans to raise any new capital, the Board believes that it is best practice to have the additional flexibility and security that these instruments provide available to the Society, and I would like to encourage all members to vote on the Special Resolution at the Annual General Meeting (AGM).

## BOARD COMPOSITION AND CORPORATE GOVERNANCE

We strengthened our Board with the appointment of Susan Cooklin in February 2014 as a non-executive Director. Susan has extensive experience of leading large and complex change across business and IT teams in the financial services and transport sectors, and this will be invaluable as we develop further our products and services. Our Finance Director, Robin Litten, and Kim Rebecchi, Sales and Marketing Director, together with Les Platts are all subject to re-election this year at the AGM. A summary of their details can be found on page 19. I ask you to support all their nominations at the AGM.

Bob Stott will retire from the Board at the AGM. Bob, who is Vice Chairman, Chairman of the Society's Staff Pension Scheme Trustees and a member of both the Remuneration and Nomination Committees, has served as a non-executive Director for more than five years and I extend my thanks to him for his valuable contribution to the Society over this period. It is proposed that Les Platts, who joined the Board in October 2010, will take up the position of non-executive Vice Chairman and Senior Independent Director.

## SUMMARY

Leeds Building Society has again delivered another good set of results. This could not have been achieved without our dedicated and hardworking colleagues, who have consistently delivered high levels of service to our members.

We expect that 2014 will be a year of further progress as we continue to reinvest in the Society and implement our strategy to deliver long term value to our current and future members.



**Robin Ashton**  
Chairman

25 February 2014

<sup>i</sup> Source – Building Societies Association, deposit balances outstanding from households.

<sup>ii</sup> Leverage Ratio is calculated using the definition of Tier 1 Capital without any transitional relief provisions.

# Chief Executive's Review

For the year ended 31 December 2013



## 2013 Business Highlights:

- Pre-tax profit rose by 18% to a record £64.2m (£54.6m 2012 restated<sup>i</sup>)
- New mortgage lending increased by 31% to £2.16bn (£1.65bn 2012) which is significantly above our market share<sup>ii</sup>
- Net residential lending of £992m (£737m 2012) is our best ever performance
- Savings balances grew by £884m (£384m 2012) to £8.6bn, the highest level in our history
- Assets increased by 9% to a record £11.2bn (£10.3bn 2012)
- 71,000 new members were attracted, taking total membership to a record 714,000 (696,000 2012)
- Capital and reserves increased to a record £661m (£618m 2012 restated<sup>i</sup>)

Leeds Building Society enjoyed another successful year in 2013 delivering record performance across a broad range of measures. I am particularly pleased that in our core markets of savings and mortgages we increased our market shares significantly, and our membership is at an all time high.

As a member owned mutual building society our business model is built on providing a safe place for savings and helping more people buy homes. Our focus remains on delivering the best products and services to our members and creating long term value for future generations. We have stepped up innovation in developing new products and

streamlined and improved our savings range. Our investment in the Society has increased substantially to ensure we have the right people and skills, systems and support infrastructures to be able to continue to offer outstanding personal service in a fast-changing market. This investment will continue in 2014.

Both the economy and consumer confidence improved in 2013 providing a more favourable environment in which to operate. Although this is most welcome, we remain cautious about the future and are pleased that our excellent profit performance has enabled us to increase capital and reserves to record

levels, to support our long-term sustainability.

## SOCIETY VISION

Last year I outlined the strategy to deliver our vision 'To be Britain's most successful building society', which is built on four pillars, ensuring we continue to deliver value to our growing membership. These are:

1. To support the aspirations of a wide range of borrowers and savers, in particular those who are not well served by the wider market.
2. To generate strong levels of profit, which is retained in the business to build a solid platform for growth and continuing financial security.

“ Leeds Building Society enjoyed another successful year in 2013 delivering record performance across a broad range of measures. ”

3. To deliver outstanding personal service to all our members.
4. To continue to reinvest in the business to improve efficiency, whilst being intolerant of waste.

I am delighted to report that solid progress has been made throughout 2013 against each of these goals.

## SUPPORTING THE ASPIRATIONS OF BORROWERS AND SAVERS

Membership grew to a record 714,000 (696,000 2012) as we helped thousands of people to buy their homes and protect their savings.

We attracted over £2.8bn of retail savings deposits from both existing and new members and net savings grew by £884m. This was the largest single year increase in the Society's history and well above our market share. Offering value to our savers is very important, particularly given the continued low interest rate environment. On average we paid 2.33% across our savings range compared to the market average of 1.73%<sup>iii</sup>. Furthermore, a significant number of our members will benefit from an increase in their interest rate as we take steps to ensure that all our savings accounts pay at least 0.5%, equivalent to today's Bank Base Rate.

Extensive customer research continues to inform our programme of product innovation resulting in several key developments which help our members get on with life. As a result, we removed unnecessary complexity from our savings range and introduced the UK's only 10-Year Monthly Income Bond paying 4%, with a capital guarantee.

Our success in attracting retail savings has helped fund our lending growth, support more borrowers and bring innovation to the mortgage market. We introduced the only product that provides an option to pay no interest for the first 3 or 6 months, which helps purchasers make changes and improvements to their new homes. This Welcome Mortgage was recognised at the Mortgage Finance Gazette Awards, when we received the 'Innovation Award for Lenders', and in the MoneyNet Personal Finance Awards, where we were named 'Most Innovative Personal Finance Provider'.

We provided a record number of mortgages in 2013 and new residential loans increased by 31% to £2.16bn, representing more than double our market share.

We helped over 6,000 first time buyers purchase their homes, which accounted for over 30% of our total lending by value. This was in a number of lending segments including Shared

Ownership, higher Loan To Value loans and the Help to Buy Equity Scheme. Including these mortgages, the average Loan to Value ratio on all new lending in 2013 remained below 60%.

## CONTINUING FINANCIAL SECURITY

Our pre-tax profit increased by 18% to £64.2m (£54.6m 2012 restated<sup>i</sup>), a new record. This resulted in an increase in capital and reserves to £661m (£618m 2012 restated<sup>i</sup>). Our Core Tier 1 Capital Ratio remains strong, at 14.4% (14.4% 2012), and our Leverage Ratio was 5.4%. This strong capital position ensures our members' savings remain secure as we continue to grow. Total assets are now £11.2bn (£10.3bn 2012), including liquid assets of £1.8bn, representing 17.6% of total funds. We remain well placed to continue to fund lending growth. Our sound financial performance also meant that the credit ratings agencies, Moody's and Fitch, both continued to assign long term 'A' ratings to the Society.

Whilst the economy is showing encouraging signs of improvement, there are still some borrowers experiencing financial difficulty. In these circumstances we offer a range of forbearance options. Residential arrears (1.5% or more of outstanding mortgage balances) reduced from 2.89% in 2012 to 2.28% this year.

# Chief Executive's Review *...continued*

For the year ended 31 December 2013

The total charge for impairment losses was £47.9m (£41.9m 2012) and total residential and commercial balance sheet provisions are £74m (£81m 2012), leaving the Society well covered for potential losses.

The increase in provisions for impairment losses reflects the actions taken by the Society to reduce its commercial loan portfolio, coupled with further falls in the value of commercial property. As a result, commercial balances reduced by £79m (18%) to £360m, which represents only 4% of total mortgage balances (5% 2012).

## DELIVERING OUTSTANDING PERSONAL SERVICE

We pride ourselves on the friendly and thoughtful service we deliver to our members and all colleagues strive to identify where we can improve. Overall member satisfaction is high and we regularly carry out independent member surveys to ensure we are meeting customer needs. We strive to get to know our members well and make things easy and straightforward.

During 2013, we have engaged widely with existing members and potential future customers to understand their needs and requirements, not only today but also into the future. This has helped shape our

development programme for 2014. Our logo and corporate colours will change in 2014 to give the Society a more contemporary image, which will help promote our proposition to a wider audience. We are also improving access to services and information to further enhance our customer experience.

We have highly motivated colleagues who are instrumental in delivering outstanding service to our members. Our people strategy focuses on recruiting and retaining the best talent and maintaining a high performance culture.

The Society now employs more than 1,000 people and colleague engagement is high. The average length of service is over seven years with over half of our colleagues being with the Society for more than five years. We also run an Apprenticeship Scheme providing young people with excellent training and career development.

I would like to take this opportunity to thank all my colleagues for their continued commitment and passion to serving the needs of our members.

## INVESTING IN THE BUSINESS

We have embarked on a major investment programme as we develop a solid platform for future growth and make significant improvements to the

customer experience. I am delighted that we have been able to create over 100 new jobs in 2013 and plan 100 more colleagues in 2014. This will increase our capability and enable us to deliver even better service.

As a result, our cost to asset ratio increased to 52p (49p 2012) per £100 of assets. Our strong growth in profitability resulted in a reduction in our cost to income ratio, which is now 31% compared to 33% a year earlier. Our focus on efficiency ensures these ratios remain amongst the best in the building society sector.

## COMMUNITY SUPPORT

We take a responsible approach to everything we do and conduct our business so that we balance the interests of all our key stakeholders, including the communities in which we operate. Corporate Responsibility is about how we ensure we have a positive impact on our members, our colleagues and our communities.

The Society has 67 branches throughout the UK, and in Gibraltar and Ireland, as well as a Head Office in Leeds and a processing centre in the north east of England. All our colleagues are encouraged to take time off to volunteer in their local community. Our charity and community



“ We pride ourselves on the friendly and thoughtful service we deliver to our members and all colleagues strive to identify where we can improve.”

giving schemes are designed to provide sustainable contributions to local community causes as well as national charities.

Our partner charities are Age UK, Marie Curie Cancer Care and Variety, the Children's Charity. Together with our own Charitable Foundation, which also receives a donation directly from the Society, they all benefited from the 'Your interest... in theirs' scheme where members donate the pence amount of any interest they earn on their savings and our Caring Saver account, which pays 1% of the average balances held over the year. The Society makes a donation for each vote cast at our AGM and members can choose from a number of charities.

Our colleagues carried out fundraising throughout the year for St Gemma's Hospice, Tiny Lives and Martin House Children's Hospice raising an amazing £27,500.

We also promote a colleague 'Matched Funding' Scheme to support their chosen charities.

Through all these initiatives, both local and national charities have received over £250,000 during the year. Our own Charitable Foundation has now

supported over 1,700 charities with donations of £1.26m since its establishment in 1999.


## OUTLOOK

During 2013, the Society has made further progress in delivering its vision to be Britain's most successful building society. In particular, the Society has further increased its underlying profitability and financial strength delivering record profits, attracting record levels of savings balances and new mortgage business and having a record number of members.

The economic outlook is at last beginning to look more positive than in recent years with falling unemployment and rising GDP. As the economy improves it is anticipated that the mortgage market will become more competitive as lenders seek to increase their market share, which could lead to lower interest margins. The likelihood of interest rates rising has also increased and this could have an impact on mortgage affordability and the level of mortgage arrears. Rising rates would be positive for savers but may increase funding costs, which in turn may create downward pressure on margins.

Against this backdrop, the Society plans to further increase its net residential lending predominantly funded through growing members' savings balances. The Society will also continue its investment programme to enable continuing delivery of the key initiatives required to achieve the Society vision and deliver its 10-year strategy.

Finally, I would like to thank you for your continued support. We remain focused on delivering the best for our owners, which is you, our members. What we do has helped thousands of members buy their homes and grow their savings, and I look forward to delivering security, value and service to even more members in 2014.



**Peter Hill**  
Chief Executive  
25 February 2014

<sup>1</sup> The Group has adopted IFRIC 21, which changes the trigger date for when the Society's liability to the Financial Services Compensation Scheme should be recognised.

<sup>2</sup> 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.

<sup>3</sup> CACI Data, October 2013 – CACI is an independent company that provides Financial Services benchmarking data and covers 86% of the high street cash savings market.

# Your Building Society is about to get even better!

Over the next few months you'll notice a few changes. Everything we do best will stay the same, but we're improving access to services and information as well as changing our logo and corporate colours.

It's time to take the next step forward – to make things even better and easier for you.

## Why are we changing?

The Society has been operating for the benefit of you, our members, for over 130 years. During this time we've been focused on delivering the best products and services, and have helped thousands of our members to save and to buy their own homes.

The Society needs to build on these strong foundations and continue to focus on providing competitive products and services that meet your changing needs. Your views and opinions are really important to us which is why we have taken time to talk to members and colleagues across the UK about the planned changes. You may have noticed information in-branch and on our website. Your feedback has given us great insight into what you love about the Society, what's important to you and how we can meet your needs in the future. As the world we live in changes we want to make sure we respond to those changes on your behalf.



Your views are helping us  
make the right changes...

## What are the changes?

During 2014, you will notice some changes to Leeds Building Society. Our logo and corporate colours are changing across our communications and branches to give the Society a more contemporary image.

All these changes have been considered carefully and members, colleagues and prospective future members alike have been fully involved in reviewing them and providing their views on things such as choice of colours, designs and ideas generally. This feedback has been invaluable and gives us confidence to make the changes this year.

Our branches still remain an important part of our ongoing strategy to meet your needs. We know that a high proportion of our members visit our branches on a regular basis and in many cases are known personally by our branch colleagues and value highly the personal service they receive. We also know that in the wider world changes are taking place at an ever increasing rate. The internet continues to develop and plays an increasingly important part in many people's lives. Smartphones and tablets which didn't exist even just a few short years ago are now a feature of everyday life for many members.

We recognise that we need to respond to these changes. So, to complement our branches and ensure you can access information as and when you need it, the Society is enhancing its online services. The changes will help us bring the fantastic service features we are so proud of in our branches to our members who visit us online.

All the services you currently receive online will continue. You will however see the design and layout of the site change.

We plan to make lots of other improvements too. We are creating a specific area for our members where you can easily keep up to date on changes within the Society. We are improving the way we display our products and services so that it is much easier for you to find the details you need and compare products too.

Even our branch finder is being enhanced so that if you are away from home you can quickly find a local branch if you need one.

Overall these changes mean you will have to spend less time searching for the details you need and have more time to get on with the things in life that are more important to you.

Whether you are on the move or at home you will find that our website is easy to use on a PC, tablet or smartphone.



# The changing face of Leeds Building Society

We are making a number of changes designed to make life easier and more straightforward for our members, but many things which we know are important will not be changing.

We will continue to provide a great personal service, responsive and competitive products, a national branch network and all the other elements that you love about the Society. And of course, we are keeping our well-established name.

## What will this mean to you?

You will continue to receive the same high level of service we're proud of, but we are improving access to our services and information. Moving forward these changes will allow you to get the information you need at a time convenient to you. We are also introducing a new contemporary image. These improvements will mean you will benefit from an even better Society.

## When will the developments happen?

The first visual changes you will notice will be the posters and leaflets in branches, as well as the launch of the new look Leeds Building Society website. Following this, all changes will be made gradually and as required.

Our key consideration when making all these improvements is to ensure costs are reasonable.

To achieve this we have taken care to look at how we can implement changes in the most cost-effective way.

With external areas of our branches for example, we have decided to make the changes over a period of several weeks. Many organisations replace signs over a weekend but this is a much more costly approach.

With our literature and communications we often have to make amendments for legislative reasons so as and when these changes are required, we will include them in our new style. For other literature, we will be introducing the new style on a stock replacement basis, being careful not to waste any existing materials wherever possible.



## Have you consulted members on these changes?

As part of our mutual status it has always been important for us to engage with you, our members. So we asked representative groups of existing members, potential new members and our colleagues for their opinions on the changes we were proposing. Rest assured that the changes we will be making will benefit you and all of our members.

## What else is changing?

The overall change is not just about changes to our colours and logos to give the Society a more contemporary look. We are making lots of enhancements to improve access to our services and to the information we provide. As the world we live in changes we want to make sure we respond for your benefit.

## Will I see any changes to the products and services you offer?

We always aim to offer a range of competitive products and services that meet the needs of our members. As a result of the changes there will be an even greater focus in the future around ensuring that we anticipate and meet the needs of our members whilst making sure that products and services offered continue to be competitive.

You will also see other changes such as making it easier to compare our products and information being provided in a more straightforward way.

## Who can I talk to if I have any questions?

Our branch staff will be happy to chat about any of the changes we will be making. Alternatively, please contact us by email at [info@leedsbuildingsociety.co.uk](mailto:info@leedsbuildingsociety.co.uk) or call us on 08450 505 065.



# Charity and Community

## Members' support for charity

During the year we have again been able to help a number of charities, thanks to your support. For those members voting in the 2013 AGM (Annual General Meeting) we donated 10p for every postal vote and 20p for every internet vote. In total over £9,000 was raised. Donations were made to five charities with each member selecting their preference. The charities benefiting were the British Heart Foundation, WWF-UK (World Wide Fund for Nature), Help for Heroes, St George's Crypt and our own Charitable Foundation. That takes the total donated for votes cast by members to more than £60,000 since 2008.

During 2013, we also supported our partner charities: Age UK, Marie Curie Cancer Care, Variety – the Children's Charity and Leeds Building Society Charitable Foundation through the 'Your interest...in theirs' scheme. Under this scheme you, our members, kindly agree to donate the pence amount of interest you earn on your savings. During 2013 you donated almost £60,000. These charities also shared more than £26,000 in 2013, representing one per cent of the average balance in all Caring Saver accounts last year.

In addition during 2013 Leeds Building Society Charitable Foundation gave away more than £120,000, with 128 charities receiving donations. Since inception, the Foundation has supported 1,722 charities with the total value of donations exceeding £1.2 million.

During 2013, as part of our commitment to helping our members and communities get on with their lives, the Society sponsored a Sunshine Coach. These are operated by Variety

– the Children's Charity, which each year takes thousands of disadvantaged children and young people on educational, recreational and vocational trips.



The Variety Club Sunshine Coach, pictured with comedian Jason Manford in the driving seat, will be used every school day and during after-school and holiday clubs.

## Volunteering within the local community

The Society does a terrific amount of charitable and community fundraising, but we realise that helping members and communities to get on with life isn't just about donating money and that we can always do more to help. Our 'Lending a Hand' scheme enables all our colleagues to spend a paid day volunteering in the community each year.

For example, a group of colleagues from the Leeds area spent a day at Hollybank Trust near Wakefield clearing a piece of land to plant up a wildflower meadow. They worked as a team through digging, raking the ground and removing all stones so that the area was clear for them to plant the seeds.

One of the six who attended was Mandy Haxby (pictured, fourth from left) from the Society's Sales

Support team. Mandy said, "It was great to be an ambassador of the Volunteering Committee and Society and be able to have this opportunity. It was fantastic to work with a team of people who would not normally be together, forming a bond and working really well together. The volunteering is an excellent opportunity for all colleagues, and personally I got so much from the day."

# Charity and Community

## Our colleagues support worthy causes

As the UK's fifth largest building society we have a national presence but our network of branches, and processing centres, plays an important role in supporting local communities too. We have therefore continued to develop our charity and community giving to provide a sustainable contribution to both large national charities and local community causes.

Our Heads of Department continued to organise various fundraising activities throughout 2013 for St. Gemma's Hospice, Tiny Lives and Martin House Children's Hospice. A record £27,500 was raised this year and, since starting the scheme in 2009, over £70,000 has been raised for these charities by our colleagues.

### *Fundraising for Martin House*



The Society entered two teams into the Dragon Boat Race in Leeds, with £2,400 raised by colleagues for Martin House Children's Hospice.

### *Hollybank Trust Volunteering*



The Society's volunteering team at Hollybank Trust.

Also last year, our generous colleagues held a Harvest Festival charity event at Head Office. They brought food to donate to the Leeds

Through our Sponsorship Committee we have donated almost £33,000 to local charities and community groups. Our 'Matched Funding' scheme, which looks to support everyone at the Society with their charitable fundraising, has also been very successful. During 2013 our colleagues raised almost £30,000 for charity and the Society contributed a further £9,900 in matched funds.

### *Three Peaks Team Setting Off*



Twelve colleagues from the Society raised £11,000 for the British Heart Foundation by successfully completing the Three Peaks Challenge. This represented one pound raised for every foot of the climb!

Children's Charity, which will be used at their Silverdale Holiday Centre near Lancaster in Lancashire.

### *Harvest Festival*



A selection of the donated food at our Head Office Reception.

# Highlights of the Year 2013

## Fantastic customer service delivered to our members

We pride ourselves on the friendly and thoughtful service we deliver to our members and all colleagues strive continually to identify improvements. We like to get to know our members well and make everything as easy and straightforward as possible for them. We regularly carry out independent member surveys to ensure we are meeting customer needs, with our latest survey showing overall customer satisfaction levels of 93%.

Our 'Branch Customer Advisor of the Year' award recognises branch colleagues who have delivered outstanding customer service throughout 2013 to you, our members. The prestigious award, now in its fourth year, is open to any advisor from across our branch network with nominations submitted by the Society's Regional Sales Managers.

Six regional winners were chosen from the 18 finalists, and received trophies to mark their achievements at a special luncheon. There were two recipients of the 'Overall Winner' award – Simon Scarlett, Assistant Manager at our Chapel Allerton branch in Leeds, and Kayleigh Boyce, Customer Service Advisor at the Peterborough branch.

### Advisor of the Year



Pictured (from left to right) are Trevor Garside (Head of Sales), Kim Rebecchi (Sales & Marketing Director), Simon Scarlett, Kayleigh Boyce, Kevin Sinfield (Leeds Rhinos Captain) and Peter Hill (Chief Executive).

The 2013 Branch of the Year was Crossgates. The criteria for this award sees branches judged on a broad range of measures, but primarily customer service to our members.

### Branch of the Year



Pictured are the team at Crossgates branch celebrating their victory.

## Outstanding colleagues recognised

Our colleagues are passionate about delivering outstanding customer service and our 'Nominate a Star' scheme, now in its third year, encourages members to recommend a colleague or a team that has delivered this. We were delighted by the superb response in 2013, receiving 411 nominations from members providing excellent feedback about colleagues across the business. At the annual 'Excellence in Action' awards luncheon the 'Nominate a Star – Star of Stars Award' was

won by Adam Scott, from our Epsom Branch, and Anne Marriott, from our Direct Mortgage team.

In addition to recognising our top performers from member nominations, we also celebrate our outstanding colleagues, voted for by their peers, at a special luncheon attended by the Society's Chief Executive and Senior Management team. The 2013 'Excellence in Action' winner was Jonathan Bell, the Society's Mortgage Lending Systems Manager.



# Highlights of the Year 2013

## Another award-winning year for your Society

A number of prestigious accolades and awards were received by the Society during 2013. These confirm that our approach to delivering the best for you, our members, by taking time to understand your needs and providing competitive products and services is the right one.

During 2013 we brought innovation to the mortgage market with our unique 'Welcome Mortgage', which offered customers the option of paying 0% interest for the first three or six months of their mortgage, with the remaining monthly payments at a competitive fixed rate for up to two, three or five years. This was recognised at the Mortgage Finance Gazette Awards, when we received the 'Innovation Award for Lenders'.

Our innovative approach during 2013 received further prestigious recognition when we won the 'Mortgage Innovation Award' and were named 'Most Innovative Personal Finance Provider' at the Moneynet Personal Finance Awards 2014.

Your Society was also named 'Best Intermediary Lender' at the Mortgage Finance Gazette Awards.

Further recognition came when we picked up the flagship award of 'Best All Round Mortgage Provider' at the 2013/2014 Personal Finance Awards. This is a great accolade for the Society, as the winner is decided purely by consumer votes.

The Society also scooped the 'Best Buy-to-Let Mortgage Provider' award at the Business Moneyfacts Awards. Lee Tillcock, Editor at Business Moneyfacts said, "Another year that has seen this lender provide consistently competitive and often market-leading products across the full buy-to-let mortgage range. With the buy-to-let sector regularly in the headlines, Leeds Building Society has remained committed to offering the widest choice, whilst striving to keep both rates and fees low."



Emma Bretton (Product Development and Lifecycle Manager) pictured right, receiving the 'Best All Round Mortgage Provider' award from Jo Atkin (Editor of themoneypages.com).



Phil Coombes (Head of Intermediary Sales) receiving our 'Best Buy-to-Let Mortgage Provider' award from former England Rugby Union international Matt Dawson (left) and Lee Tillcock, Editor at Business Moneyfacts (right).

Yvonne Langley-Brook, Head of Mortgage Lending said, "Jonathan has a passion and drive for change, is thoroughly committed to projects and delivering change within the Society and ensuring that this is done right. Jonathan's knowledge of lending systems is unrivalled; he is highly expert in his role."

Paul Riley, General Manager – Group Treasury added, "He delivers exceptional support without any fuss and in an efficient and friendly manner. Jonathan Bell is a credit to Leeds Building Society and a valued and loyal colleague."



Jonathan is shown (left) receiving his Annual Excellence in Action award from Chief Executive Peter Hill.

# Board of Directors



**ROBIN ASHTON (56)**

I joined the Board as a non-executive Director in April 2011 and became Chairman in March 2013. In my role as Chairman, I attend a number of Board Committees. I am a strong supporter of the building society sector and the mutual business model, which plays an important role in UK financial services. I am a Chartered Accountant and spent my executive career in retail financial services. I am also a non-executive Director of Shawbrook Bank Ltd. I am married with three children and my interests include reading and motorsports.



**PETER HILL (52)**

I joined the Society in 2001 as a Senior Manager and was appointed to the Board, as Operations Director, in 2006. I became Chief Executive in 2011. My role is to lead the Society's Executive Team; set the tone in respect of the Society's culture; develop strategy, and deliver a balanced business performance in the long term interests of our members. I am an active contributor to the Leeds and Yorkshire business community, a member of the Council of Mortgage Lenders Executive and Chairman's Committees, Deputy Chairman of the Northern Association of Building Societies and a Fellow of the Royal Society of Arts. I am married with two sons at secondary school.



**PHILIPPA BROWN (47)**

I joined the Board as a non-executive Director in January 2013 and bring a strong consumer and marketing perspective to the role. I am also a member of the Group Risk Committee. Putting the interests of the members at the heart of the business provides a strong point of difference and one of the reasons why the Society has been so successful. I have been employed in marketing and advertising for 25 years and am Chief Executive Officer of a UK leading media agency, Omnicom Media Group UK. Outside of work I enjoy swimming and have two children. I also support Breakthrough Breast Cancer and Childline.



**SUSAN COOKLIN (53)**

I am delighted to have joined the Board in February 2014. I am currently Group Chief Information Officer at Network Rail Infrastructure Ltd. Prior to this I was a senior executive at Barclays Bank Plc. within operations and technology, having spent over 20 years in financial services. I am proud to be joining a mutual organisation where the interests of members are core to our business. Outside of work I enjoy spending time with my family and swimming.



**DAVID FISHER (55)**

I joined the Board in March 2012. I am a member of the Assets and Liabilities, Remuneration, Credit Committees and a Pension Scheme Trustee. I started my financial services career with Halifax Building Society 24 years ago. Prior to joining the Leeds I was Chief Executive of Sainsbury's Bank. I am delighted to have been given the opportunity to return to my mutual roots and to join a Board totally committed to mutual status. I hold a number of other Directorships and advisory roles. Outside of work, I am married with two daughters. I am a keen runner and completed my first marathon in 2012.



**PHIL JENKS (63)**

I joined the Board in March 2012 and am a member of the Society's Credit, Risk and Conduct Committees. I have almost 40 years' experience in financial services and have extensive knowledge particularly of mortgages and savings challenges to benefit members. I am a non-executive Director at Chartercourt Financial Services Group and work as a consultant for a number of organisations including the Government on housing related projects. I fully appreciate the importance of mutuals and am proud to be a director where the focus is on getting things right for customers. I am married with three children and outside of work I enjoy walking, going to the theatre and watching sport.

“ In my first year as Chairman I am pleased to report another strong performance and a good set of financial results.”



**ROBIN LITTEN (50)**

I joined the Society in 2012 as Finance Director having spent my career in retail and financial services and for the last 12 years in the mutual building society sector. My previous roles include Deputy Finance Director at Barclaycard, Finance Director at Barclays Private Banking, Group Finance Director and Chief Executive at Scarborough Building Society and Chief Commercial Officer at Skipton Building Society. As a member of the Executive Committee I lead the Society's Finance, Treasury & Strategy teams and I am Chairman of the Assets & Liabilities Committee. Outside work, I enjoy spending time with my family, playing squash and cycling.



**LES PLATTS (60)**

I joined the Board in 2010 and I am Chair of the Remuneration Committee and a member of the Audit and Conduct Risk Committees. I am a Chartered Accountant and was the Senior Partner for Deloitte in their Leeds office. The Society, with its proud history and firm commitment to mutuality, is a very strong part of the Leeds business community. I am also a director of an investment administration business and Honorary Treasurer of Lancashire County Cricket Club. I am married with two children and outside of work I support the NSPCC.



**ABHAI RAJGURU (48)**

I joined the Board in 2008 having spent my career in the financial services sector. I hold a number of directorships and am also a member of the HM Treasury Audit Committee. I serve on the Society's Audit, Assets & Liabilities and Group Risk Committees. I am proud to be a member of the Board of the Society, which, as a mutual, has remained focused on delivering value to its members. Much of my time outside work is taken up by my young son, and I also enjoy music, films and motorsports.



**KIM REBECCHI (47)**

I joined the Board in 2009 as Sales & Marketing Director, having worked for the Society since 1988. As a member of the Executive Committee I lead the Society's Distribution, Product Development and Marketing teams and I am Chairman of Headrow Property Services and the Conduct Risk Committee. Outside work, I am an active Rotarian and also enjoy family time, walking and sailing.



**IAN ROBERTSON (66)**

I joined the Board in 2008 and am a member of the Audit, Group Risk and Credit Committees. I am proud to work with such a highly regarded local institution and to help further enhance its reputation as a leading example of the benefits of mutuality. I was President of the Institute of Chartered Accountants of Scotland in 2004/5 and I am Chairman of the Advisory Audit Board of the Scottish Parliament Corporate Body and a Director of the Homes and Communities Agency for England. Outside work I am a keen reader and love music.



**BOB STOTT (70)**

I joined the Board in 2008, following my retirement as a director of Wm Morrison Supermarkets plc and was appointed Vice Chairman in 2011. I am a member of the Society's Remuneration and Nomination Committees and I Chair the Trustee Board of the Staff Pension Scheme. I hold five other directorships and I am also a Trustee and Chair of the YCCC Charitable Youth Trust. Mutuality for me means that our endeavours can be focused entirely on our members. I enjoy spending time with my family and I follow most team sports.



**KAREN WINT (48)**

I have been Operations Director since late 2012. My current responsibilities are 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 changing how we do things to meet new customer expectations in a rapidly changing world. I am a member of the Executive Committee and Conduct Risk and Credit Committees. I sit on Leeds City Council's Housing & Regeneration Board and am a Chartered Banker. I enjoy walking and spending time in the Yorkshire Dales.

# Summary Financial Statement

For the year ended 31 December 2013

The Directors have pleasure in presenting the Summary Financial Statement of the Society and its subsidiaries ('the Group') for the year ended 31 December 2013. 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 12 March 2014, or from the Society's website ([www.leedsbuildingsociety.co.uk](http://www.leedsbuildingsociety.co.uk)).

The auditor's report on the Society's full Annual Report and Accounts was unqualified.

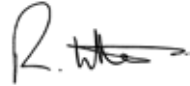
Approved by the Board of Directors on 25 February 2014 and signed on its behalf by:



**Robin Ashton**  
Chairman



**Peter Hill**  
Chief Executive



**Robin Litten**  
Finance Director

## Summary Directors' Report

The Summary Directors' Report for the year ended 31 December 2013 comprises the Chairman's Statement on pages 4 to 5 and the Chief Executive's Review on pages 6 to 9.

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.

# 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 reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors.

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

The management expenses 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 ...continued

For the year ended 31 December 2013

<b>Results for the year 2013</b>	<b>2013</b>	<b>2012</b>
	<b>£M</b>	<b>Restated* £M</b>
Net interest receivable	163.2	133.2
Other income and charges	15.0	17.0
Fair value gains less losses on financial instruments	(0.9)	0.7
Administrative expenses	(55.5)	(49.7)
Impairment losses	(47.9)	(41.9)
Investment property fair value movement	(1.3)	(1.1)
Impairment loss on land and buildings	(0.8)	–
Provisions for liabilities and charges	(7.6)	(3.6)
Profit for the year before taxation	64.2	54.6
Taxation	(15.2)	(13.4)
<b>Profit for the year</b>	<b>49.0</b>	<b>41.2</b>
<b>Financial position at the end of the year</b>		
<b>Assets</b>		
Liquid assets	1,820.1	1,748.7
Mortgages	8,930.6	8,047.8
Other loans	221.3	227.5
Derivative financial instruments	99.5	118.9
Fixed and other assets	122.7	173.0
<b>Total assets</b>	<b>11,194.2</b>	<b>10,315.9</b>
<b>Liabilities</b>		
Shares	8,622.0	7,738.3
Borrowings	1,703.5	1,721.4
Other liabilities	107.9	89.9
Derivative financial instruments	100.2	148.5
Subordinated liabilities	0.9	0.9
Subscribed capital	25.0	25.0
Reserves		
General reserves	612.1	564.8
Other reserves	22.6	27.1
<b>Total reserves and liabilities</b>	<b>11,194.2</b>	<b>10,315.9</b>
<b>Summary of Key Financial Ratios</b>		
Gross capital as a percentage of shares and borrowings	6.44%	6.54%
Liquid assets as a percentage of shares and borrowings	17.63%	18.49%
Profit for the financial year as a percentage of mean total assets	0.46%	0.41%
Management expenses as a percentage of mean total assets	0.52%	0.49%

\*Restated following the implementation of International Financial Reporting Interpretations Committee (IFRIC) 21 Levies.

# Summary Financial Statement *...continued*

## Auditor's statement of Summary Financial Statements

### 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 2013 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.

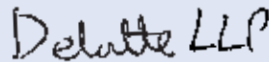
Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Summary Annual Report with the full Annual Report and Accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of Section 76 of the Building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

We also read the other information contained in the Summary Annual Report containing the Summary Financial Statement 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 issued by the Auditing Practices Board. Our report on the Society's full Annual Report and Accounts describes the basis of our audit opinion on those financial statements.

### Opinion

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 2013 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.



**Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
Leeds, United Kingdom  
25 February 2014

# Summary of the Directors' Remuneration Report

## Statement by the Chairman

In the Chief Executive's statement, the Society's continued strong performance in 2013 is noted. Total assets reached a record £11.2bn, profits grew to £64.2m, mortgage and other loan balances grew by 11% to £9.2bn and net savings balances also grew by 11% to £8.6bn. The focus for 2013 has been to continue developing the business and implementing the risk management strategy. We have maintained very strong customer and colleague satisfaction levels, whilst further strengthening our balance sheet and capital strength.

The payments to Executive Directors and the Society's senior managers were considered by the Remuneration Committee in the context of the Society's strong performance. In summary, the Chief Executive's basic pay increased by 2.5%. Other Executive Directors' pay and that of the Chairman increased on average by 2.8% compared with 3.0% on average for all other colleagues. The 2013 Executive Directors' bonus scheme has generated awards of between 60% and 62% of salary, reflecting between 80% and 83% of the total opportunity.

The Committee is very focused on ensuring the Remuneration Policy is set to attract and retain the highest calibre of senior management to ensure the Society's continued success. The Remuneration Policy, therefore, focuses on rewarding our most senior executives in line with the achievement of the goals against the annual business plan and our ten year vision, whilst continuing to provide value for money for our members.

## Composition and Scope of the Remuneration Committee

The Remuneration Committee, under delegated authority from the Board, is responsible for setting the Society's Remuneration Policy and ensuring it is implemented and adhered to.

The Committee comprises solely Non-Executive Directors who have no personal financial interest in the recommendations. None of the Committee has any personal interest (other than as ordinary members), or conflicts of interest arising from cross directorships.

During the year, the Chairman of the Committee was Les Platts. The other members of the Committee were Bob Stott and David Fisher. Executive Directors, other members of senior management and the Chairman may be invited to attend meetings, as appropriate, but are not members of the Committee. Becky Hewitt, General Manager – People, acts as Secretary to the Committee.

The Committee's terms of reference were last reviewed in December 2013 and are available on the Society's website. It reports to the Board on the remuneration and terms of engagement of Executive Directors, Senior Management and Remuneration Code Staff (key managers in areas such

as Compliance, Risk, Human Resources and Internal Audit), together with the fees for the Society's Chairman.

All recommendations are considered by the full Board, but no Director participates in discussions when decisions relating to his or her own remuneration are made.

The Remuneration Committee seeks the advice of independent, external consultants, as required. During the year, PricewaterhouseCoopers LLP was engaged, to assist the Society with the adoption of the Department for Business, Innovation and Skills' reporting requirements. This followed a selection process which involved the evaluation of potential providers against agreed criteria. Leading independent professional services firms were invited to submit details of their services in respect of the requirements. A shortlist of potential providers was selected and invited to deliver a presentation to management, following which the appointment was made. The scope of services was determined and a fixed fee agreed.

## Directors' Remuneration Policy

The Society's Remuneration Policy is designed to provide competitive remuneration packages that attract, reward and retain our leadership team, to enable the delivery of business objectives, to support the Society's strategy, whilst providing value for members. In delivering this Policy, the following principles are observed:

- Our Remuneration Policy is clearly linked to our business strategy, objectives, values and the long term interests and security of the Society.
- The policy, procedures and practices are consistent with and promote, sound and effective risk management, whilst balancing fixed and variable remuneration to create an acceptable relationship between risk and reward.
- Basic pay and total remuneration is set at a competitive level to attract and retain people of the required calibre.
- Our pay policies meet regulatory requirements and good Corporate Governance practice.

## Vote

The Society intends to ensure that an advisory vote on the Remuneration Policy takes place annually, unless the approved policy remains unchanged, in which case it intends to propose a similar resolution at least every three years.



Les Platts

Chairman of Remuneration Committee

25 February 2014

# Summary of the Directors' Remuneration Report *...continued*

## Directors' Remuneration Policy

The table below summarises the principal components of the Executive Directors' total remuneration. Details that are commercially sensitive have not been provided, but performance against target is disclosed. The remainder of the report provides all the supporting detail.

Element of Pay	Link to Strategy	Operation	Performance Measures	Minimum and Maximum Payable
Basic Pay	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.  Basic salaries are based on assessments of individual performance and by comparison with roles carrying similar responsibilities, in organisations of a comparable size, complexity and diversity to the Society.	Increases based on personal performance.	The basic 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.  An element is related to comparative performance against our peer group.	The performance objectives are aligned with our Corporate Plan, recognising short, medium and long term goals.  The performance of the executives 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 Chairman of the Group Risk Committee.  Bonuses are non-pensionable.	The 75% maximum is split between: Corporate – 30% Personal – 30% Peer Group comparison – 15%. Corporate measures in 2013 include: <ul style="list-style-type: none"> <li>• Profitability</li> <li>• Growth</li> <li>• Risk</li> <li>• Developing the Business.</li> </ul> Personal performance objectives, appropriate to the responsibilities of the director, are set at the start of each year and agreed by the Remuneration Committee. Peer Group comparison is used to measure superior performance. Peer Group is defined as organisations of a comparable size, complexity and diversity to the Society.	Maximum of 75% of basic salary payable, with 40% of the award deferred over a three year period.
Operation of Clawback	Deferral element has been introduced to ensure the annual performance creates value sustained over the longer term.	Independent assessment takes place prior to the payment of each deferred award, which provides the Remuneration Committee with the authority to make a reduction in the level of award payable (down to zero), if appropriate. The assessment takes into account the following three key matters: <ul style="list-style-type: none"> <li>• has management operated within the risk appetite of the business?</li> <li>• has the business been exposed to any significant regulatory or control failings?</li> <li>• has there been any financial exposure after the award has been made, due to inappropriate management behaviour?</li> </ul>	Not applicable.	100% of the deferred bonus awards are subject to performance adjustment.



# Summary of the Directors' Remuneration Report *...continued*

*...continued*

Pension	Provides market competitive remuneration.	Based on membership of either the Society's defined benefit section or defined contribution section of the pension scheme. There is an option to receive a monthly salary supplement in lieu of pension contributions.	Not applicable.	A range of relevant employer contributions e.g. for age range = or > 53, up to 23% of basic pay. Salary supplement is in lieu of employer contributions.
Benefits	To align directors' total remuneration broadly with the market.	The principal benefits Executive Directors receive are: <ul style="list-style-type: none"> <li>• life assurance</li> <li>• private medical insurance</li> <li>• long term health insurance.</li> </ul>	Not applicable.	Life assurance (up to 4 x basic salary). Annual private medical cover. Long term health insurance.

## 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 sub-committee meetings.	Fees are reviewed annually with recommendations made to the Board by Executive Directors. Fee levels are normally based upon levels in other mutual 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: <ol style="list-style-type: none"> <li>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.</li> <li>There is a material change in responsibility to the Non-Executive Director's role.</li> </ol>

Non-Executive Directors are not eligible for any annual bonus scheme, pension or other benefits.

## 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. 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 FCA Remuneration Code. Where an Executive Director is appointed internally, all previous commitments relating to remuneration will be honoured, subject to meeting the relevant criteria.

# Summary of the Directors' Remuneration Report *...continued*

## Service Contracts

Executive Directors' terms and conditions of employment, including details of remuneration are detailed in their individual service agreements, which include a notice period of twelve months. The standard contract is available to view at the 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.

## Statement of Consideration of Conditions elsewhere in the Society.

For 2013, the average basic salary increase for the Executive Directors was 2.7%. Pay increases for the broader employee group ranged from 0% - 5%, with an average of 3.0%.

## Total Remuneration Summary

Executive Directors	Peter Hill		Robin Litten		Kim Rebecchi		Karen Wint		Total Remuneration	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Salary	328	310	244	232	192	187	192	16 <sup>(1)</sup>	956	745 <sup>(1)</sup>
Annual Bonus <sup>(2)</sup>	207	200	154	151	117	117	120	4 <sup>(1)</sup>	598	472
Pension	75 <sup>(3)</sup>	71 <sup>(3)</sup>	51 <sup>(3)</sup>	46	50 <sup>(3) (4)</sup>	16	38	–	214	133
Other	–	–	–	50 <sup>(5)</sup>	–	–	–	–	–	50
<b>Total Remuneration<sup>(6)</sup></b>	<b>610</b>	<b>581</b>	<b>449</b>	<b>479</b>	<b>359</b>	<b>320</b>	<b>350</b>	<b>20<sup>(1)</sup></b>	<b>1,768</b>	<b>1,400</b>

Notes:

(1) Karen Wint appointed 1 December 2012.

(2) The annual bonus figure reflects payments made under all elements of the scheme.

(3) These directors elected to receive part of the Society's pension contribution as cash.

(4) This director ceased to be an active member on 31 October 2013 with an accrued pension of £95,328.

(5) This director received a payment to compensate lost earnings on leaving Skipton Building Society.

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

## Non-Executive Directors

Non-Executive Directors	2013	2012
	Fees (£'000)	Fees (£'000)
Robin Smith – (Chairman) resigned 26 March 2013	30	126
Robin Ashton – (Chairman from 26 March 2013)	109	43
Bob Stott – (Vice Chairman)	55	53
John Anderson – resigned 27 March 2012	–	9
Philippa Brown – appointed 15 January 2013	39	–
David Fisher – appointed 27 March 2012	40	30
Phil Jenks – appointed 27 March 2012	43	30
Carol Kavanagh – resigned 27 March 2012	–	9
Les Platts	44	43
Abhai Rajguru	44	43
Ian Robertson	47	45
<b>TOTALS</b>	<b>451</b>	<b>431</b>

## Performance Outcomes against Targets for Incentive Awards

The 2013 scheme has generated awards of between 60% and 62% of salary for Executive Directors, reflecting between 80% and 83% of the maximum award available.

The scheme provides for:

- Personal Performance Measures (max. 30% opportunity, with 10% of this for superior performance on a discretionary basis).
- Corporate Measures (max. 30% opportunity, with 10% of this for superior performance) – both profit performance and mortgage lending growth were

considered to be very strong performances versus our annual business plan. The Remuneration Committee viewed the strategic actions taken to develop the business from a customer proposition and product perspective and the improvement in the overall level of skills within the business to have met the ambitious objectives set for the business. There were also further enhancements to risk capability and management.

- Peer Group Assessment (max. 15% opportunity) – these are quantitative measures, which were selected as being those most closely aligned to our long term vision and objectively compared to published data from our peer group, against which the Society has performed at the upper end of expectations.

# Notice of Annual General Meeting

For the year ended 31 December 2013

Notice is given that the 139th Annual General Meeting of the members of Leeds Building Society will be held on Wednesday 26 March 2014 at the Howard Assembly Room, Leeds Grand Theatre, 46 New Briggate, Leeds LS1 6NZ at 11.00am for the following purposes:

1. To receive the Directors' Report, Annual Accounts, Annual Business Statement and Auditor's Report for the year ended 31 December 2013.
2. To consider and if thought fit pass an Ordinary Resolution to re-appoint Deloitte LLP as Auditor 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 2013.
4. To consider and if thought fit pass an Ordinary Resolution to approve the Directors' Remuneration Policy (as contained in the Directors' Remuneration Report) for the year ended 31 December 2013.
5. To consider and if thought fit elect or re-elect the following as Directors:
  - (a) to re-elect Leslie Michael Platts
  - (b) to re-elect Robin Stephen Patrick Litten
  - (c) to re-elect Kim Louise Rebecchi
  - (d) to elect Susan Helen Cooklin.
6. To consider and if thought fit pass the following resolution as a Special Resolution:

"That the Rules of the Society be amended in the manner specified in the document produced to the Meeting and initialled by the Chairman for the purposes of identification."

By Order of the Board



**Andrew J. Greenwood**  
*Chief Risk Officer & Secretary*  
25 February 2014

## Notes

1. These Notes form part of the Notice of 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 your proxy and your proxy does not have to be a member of the Society. Your proxy may vote for you at the Meeting but only on a poll.
  3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the Voting Form.
  4. You are entitled to vote if:

<b>Age</b>	you are at least 18 on 26 March 2014, and
<b>Membership</b>	you (a) had a shareholding in the Society of at least £100 on 31 December 2013 or (b) owed at least £100 to the Society on a mortgage loan on 31 December 2013; and you are either a shareholding member (whatever your account balance is) continuously between 31 December 2013 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 Tuesday 25 March 2014 if you are using a form to vote by proxy, or if you vote online, or Wednesday 26 March 2014 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 ...continued

## 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 Meeting. The Society also adopts the convention of receiving the Auditor's Report.
2. It is a requirement that the Auditor is 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 2013.

The Directors' Remuneration Report is set out on pages 23 and 26 of this Magazine and, for the purposes of this resolution, does not include the parts of the Directors' Remuneration Report containing the Directors' Remuneration Policy which is set out on pages 24 to 25. 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

For the first time this year, listed companies must propose a resolution to approve the Directors' policy on remuneration. As a building society, the Society is not required to prepare a remuneration policy or to propose a Resolution for its approval. However, in line with best practice, the Society

is this year 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 24 to 25 of this Magazine. The vote on Resolution 4 will be treated as advisory only.

The Society intends to ensure that a vote on its remuneration policy takes place annually unless the approved policy remains unchanged, in which case it intends to propose a similar Resolution at least every three years in line with the requirements for listed companies.

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

One of the Society's Non-Executive Directors, Leslie Michael Platts, was appointed in 2010 and was last up for election in 2011, and is seeking re-election at the Annual General Meeting. The Board of Directors consider that his skills, knowledge and experience complement and balance those of the other Directors. Mr Platts' biographical details are included on page 19.

Two of the Society's existing Executive Directors are seeking re-election. Following formal appraisal, the Board is satisfied that Robin Stephen Patrick Litten and Kim Louise Rebecchi continue to be effective and demonstrate the necessary commitment to their roles. Mr Litten and Ms Rebecchi were both elected for a three-year term at the 2013 Meeting, but have voluntarily sought election again in order that all the Executive Directors do not have to stand for re-election in the same year. Biographical details for Mr Litten and Ms Rebecchi are included on page 19.

Susan Helen Cooklin has recently been appointed to the Board as a Non-Executive Director and is seeking election at the Annual General Meeting. The Board of Directors

consider that her skills, knowledge and experience complement and balance those of the other Directors. Ms Cooklin's biographical details are also included on page 18.

### 6. Rules Update

The Board is proposing a number of changes to the Society's Rules at this year's Annual General Meeting. The Society last changed its Rules in 2012. It is now doing so following the publication by the Building Societies Association (BSA) of a new edition of its Model Rules (on which the Society's Rules are based). This has been produced by the BSA to enable Building Societies to have the power to raise capital, if required, by the issue of Core Capital Deferred Shares ('CCDS'). The proposed amendments to the Society's Rules reflect very closely the wording of the BSA Model Rules. The Financial Conduct Authority has been consulted on the new BSA Model Rules and has indicated that it would regard their use by Societies as helpful. A summary of the principal proposed changes is set out in the document headed 'Proposed Rule Changes' enclosed with the AGM pack. A copy of the document setting out all of the proposed amendments, a copy of the existing Rules showing the proposed changes, and a copy of the Rules including all the changes proposed are available on the Society's website [www.leedsbuildingsociety.co.uk](http://www.leedsbuildingsociety.co.uk), or may be obtained by a member on request to the Secretary, Leeds Building Society, 105 Albion Street, Leeds LS1 5AS.

**The Board considers that these changes will benefit the Society and its members and recommends that members vote FOR the amendments. It also recommends you to vote in favour of the Directors standing for election or re-election, and all the other resolutions.**

# Attending the Annual General Meeting

Wednesday 26 March 2014

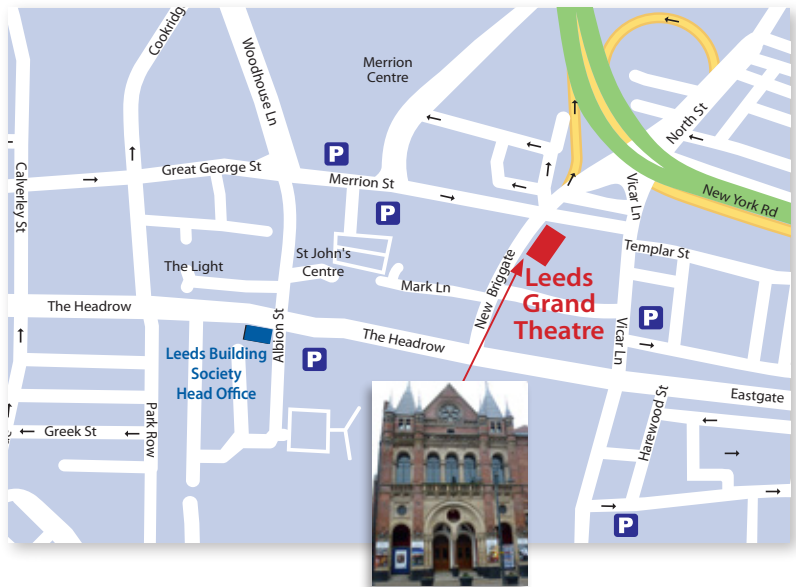
## TRANSPORT LINKS

**The Howard Assembly Room is located within Leeds Grand Theatre on New Briggate, Leeds.**

The theatre is easily accessible by public transport. It is approximately 10 minutes walk from the main bus station and 15 minutes walk from the train station with many buses stopping in the immediate vicinity. For the most up to date information on local bus and train times, please check [www.wymetro.com](http://www.wymetro.com). There is also a taxi rank outside the theatre although we recommend booking a taxi in advance.

Parking is available at various nearby car parks, including Edward Street/Templar Street and the St John's and Merrion Centre shopping centres.

A limited amount of on street parking is available near the theatre but this does tend to fill up very quickly.



MAP OF THE AREA SURROUNDING THE VENUE WITH PARKING HIGHLIGHTED

## What you need to bring to the AGM

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.**

# You vote – we donate

We will again make a donation of 10p to one of the charities set out below for every paper voting form that we receive and 20p for votes cast through our online system, which I would encourage you to use this year. This can be accessed at [www.leedsbuildingsociety.co.uk/voting](http://www.leedsbuildingsociety.co.uk/voting).

You can choose to support a range of local charities that operate close to one of our 65 UK branches. The Foundation has donated over £1 million since it was first set up.



BHF's vision of the world is one in which people do not die prematurely of heart disease. They achieve this through pioneering research, vital prevention activity and ensuring quality care and support for everyone living with heart disease.



This is an essential Leeds-based charity that has been providing help to homeless people in the city since 1930. It now helps in many different ways but the fundamental evening care remains in place, providing a meal and help for up to 130 people every day and it also offers full overnight facilities for 14 people.



The mission of the WWF – UK (World Wild Fund for Nature) is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by: conserving the world's biological diversity; ensuring that the use of renewable natural resources is sustainable; and reducing pollution and wasteful consumption.



Help for Heroes raises money to support members of the Armed Forces who have been wounded in the service of their country. They ask their supporters to "do their bit" to show these extraordinary young men and women that they are cared for by us.



# Where to find us

## **Aberdeen**

Tel: 01224 642641

## **Banbury**

Tel: 01295 277912

## **Barkingside**

Tel: 020 8550 7678

## **Barnsley**

Tel: 01226 770773

## **Belfast**

Tel: 028 9024 2277

## **Birmingham**

Tel: 0121 643 6722

## **Bradford**

Tel: 01274 391401

## **Brecon**

Tel: 01874 611525

## **Bristol**

Tel: 0117 922 6772

## **Cardiff**

Tel: 029 2037 2730

## **Cheltenham**

Tel: 01242 222911

## **Colchester**

Tel: 01206 563788

## **Derby**

Tel: 01332 344644

## **Dewsbury**

Tel: 01924 469206

## **Doncaster**

Tel: 01302 730485

## **Epsom**

Tel: 01372 728695

## **Glasgow**

Tel: 0141 331 4525

## **Gloucester**

Tel: 01452 520163

## **Halifax**

Tel: 01422 362359

## **Harrogate**

Tel: 01423 546510

## **Huddersfield**

Tel: 01484 530842

## **Hull**

Tel: 01482 224892

## **Kendal**

Tel: 01539 724460

## **Leeds Area Branches**

### **Head Office**

Tel: 0113 225 7555

### **Adel**

Tel: 0113 225 8500

### **Armley**

Tel: 0113 225 8510

### **Beeston**

Tel: 0113 225 8520

### **Boston Spa**

Tel: 01937 843190

### **Chapel Allerton**

Tel: 0113 225 8550

### **Crossgates**

Tel: 0113 225 8560

### **Garforth**

Tel: 0113 286 3757

### **Harehills Road**

Tel: 0113 225 8610

### **Headingley**

Tel: 0113 225 8620

### **Horsforth**

Tel: 0113 258 1668

### **Moortown**

Tel: 0113 225 8680

### **Morley**

Tel: 0113 253 7444

### **Street Lane**

Tel: 0113 225 8720

## **Wetherby**

Tel: 01937 585768

## **Yeadon**

Tel: 0113 250 6313

## **Leicester**

Tel: 0116 251 6748

## **London (Kingsway)**

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## **Manchester**

Tel: 0161 832 0346

## **North East Area Branches**

### **Blyth**

Tel: 01670 354725

### **Chester-le-Street**

Tel: 0191 389 1794

### **Durham**

Tel: 0191 384 0561

### **Morpeth**

Tel: 01670 514083

### **Newcastle**

Tel: 0191 232 2801

### **North Shields**

Tel: 0191 296 0222

### **Silverlink**

Tel: 0191 295 9500

### **South Shields**

Tel: 0191 427 1122

### **South Tyneside District Hospital**

Tel: 0191 497 5336

### **Wallsend**

Tel: 0191 262 4751

### **Whitley Bay**

Tel: 0191 251 1376

## **Norwich**

Tel: 01603 626978

## **Nottingham**

Tel: 0115 947 2841

## **Peterborough**

Tel: 01733 896565

## **Reading**

Tel: 0118 957 5192

## **Ripon**

Tel: 01765 600300

## **Sale**

Tel: 0161 973 0093

## **Sheffield**

Tel: 0114 272 2230

## **Southampton**

Tel: 023 8022 6699

## **Stevenage**

Tel: 01438 741822

## **Swansea**

Tel: 01792 472503

## **Watford**

Tel: 01923 240589

## **York**

Tel: 01904 335500

## **Overseas Branches**

### **Dublin**

Tel: (00353) 16788824

### **Gibraltar**

Tel: (00350) 20050602

Or call our UK-based call centre, with calls answered personally by a member of staff, from 8am-8pm, seven days a week on **08450 505 065**

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

Or go online – whenever and wherever it suits you!

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



EXCLUSIVE  
TO EXISTING  
MEMBERS

Due to the record number of members taking out this product, and despite us increasing the allocation of funds available at this rate by 50%, we have had no alternative but to withdraw the product. Please visit our savings pages for details of our current product range.

# Members Only

## 3-year Member Loyalty Bond

**GREAT RATE**

**2.75%** Gross<sup>1</sup>p.a.  
/AER<sup>2</sup>

(fixed until 30 April 2017)

**GREAT ACCESS**

Penalty free withdrawals  
of up to

**50%**

of your capital investment  
can be made

- Access is limited to withdrawals of up to 50% of your capital investment without notice or loss of interest prior to maturity (30 April 2017) subject to the minimum balance of £100 being maintained. Closure of the account or further withdrawals are not permitted until the day after maturity (1 May 2017).
- Young member option available.
- Minimum operating balance of just £100.
- Maximum investment of £20,000.
- Interest is paid annually on 30 April (commencing 30 April 2015) and on maturity (30 April 2017).

**Available to open in  
branches, by post or  
online.**

**LIMITED ISSUE**

<sup>1</sup> Gross means the rate of interest payable before the deduction of income tax at the rate specified by law.

<sup>2</sup> AER stands for Annual Equivalent Rate and illustrates what the interest rate would be if interest was paid and added each year.

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

Head Office: 105 Albion Street, Leeds LS1 5AS.

**Call into your branch**

or call **08450 505 065**

Your call will be answered personally by our advisers from 8am-8pm, 7 days a week

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

**Leeds**  
Building Society