



Dedicated to giving  
our best

From achieving recognition as a real  
living wage employer, to protecting  
the environment.

We make a difference

Strengthening our community  
commitment with Dementia UK.

Fighting online fraud

Investing in new technology to make  
your online experience even safer.



More of  
what matters

**AGM 2020: Make your vote count** Read more inside



# 2019 Highlights

## Savings

**46,000**

new savings  
members



**£88.5m**

annual benefit to  
our savers



## Mortgages

helped  
**36,000**

more people  
have the home  
they want



helped over  
**10,000**

people buy their  
first home



## People

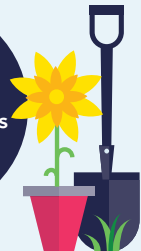
**91%**

member  
satisfaction  
rate\*



over  
**6,000**

volunteering hours  
invested by our  
colleagues



## Environment

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



**96%**  
CO<sub>2</sub> emission  
reduction between  
2016 and 2019



\* Overall member satisfaction is 91% in a survey of 5,948 members from January - December 2019.

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

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

Find out more about this year's AGM on pages 18–21 or vote online now at [www.leedsbuildingsociety.co.uk/voting](http://www.leedsbuildingsociety.co.uk/voting)

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# Welcome from our Chairman

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**Year ended**  
31 December 2019

In my final year as Chairman, I'm pleased to report Leeds Building Society has once again delivered a good financial performance in 2019 despite intense competition in our core savings and mortgage markets, prolonged uncertainty around the UK's future relationship with Europe and a snap General Election.

We remain focused on sustainable growth by delivering value to our members and helping them save and have the home they want. As a result our assets increased to over £20 billion for the first time in our history. This, combined with a focus on efficiency and managing costs led to a good level of profit, enabling us to increase our capital and reserves, and further invest in improving our technology and service for the long term benefit of our members.

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## Economic background

The uncertainty around the UK's expected departure from the EU has prevailed for over three years and continues to influence the economic landscape. Consumer confidence remains weak<sup>1</sup> and market activity has been subdued.

Growth of the UK economy has continued to slow in 2019<sup>2</sup>. Unemployment levels are at near record lows, however, earnings growth slowed in the second half of the year and earnings in real terms have only recently recovered to levels seen prior to the 2008 to 2009 recession<sup>3</sup>. Inflation remained close to the Bank of England's (BoE's) 2% target until July then fell consistently month-on-month ending the year at 1.3%<sup>4</sup>. Inflation is projected to remain below the BoE's target this year and most of 2021<sup>5</sup>.

Bank Base Rate (BBR) remained at 0.75% throughout 2019 and market expectations indicate a fall to 0.5% by Q3 2020<sup>6</sup>.

The UK mortgage market has contracted with gross lending of £268 billion in 2019, down 0.4% year-on-year<sup>7</sup>, and buyer demand remains subdued despite an uplift in enquiries at estate agencies in the final month of the year<sup>8</sup>. Intense competition in the mortgage market remains with average new mortgage rates falling further<sup>9</sup>.

Rates paid to savers increased modestly at the start of the year but have since reduced as providers reacted to competitive market conditions<sup>10</sup>.

## Regulation

The busy regulatory agenda shows no sign of abating. Your Society has continued to review and prepare for any changes, as well as monitoring the key areas of focus of the BoE, Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

The FCA mortgage and savings market reviews continued to progress, with a particular focus on better access to products and services for consumers. We remain committed to providing products that meet the needs of our members and will continue to review these in line with any emerging regulatory guidance.

Throughout the year we have also reviewed and refreshed our approach to customer vulnerability, enabling us to identify and respond to customer needs more quickly and effectively.

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We continue to monitor and plan for BoE, PRA and FCA joint proposals on the operational resilience of firms and financial market infrastructure. This remains a key priority and is being managed through a programme of continuous improvement and investment. We are also continuing to prepare for the discontinuation of the London Interbank Offered Rate (LIBOR) from the end of 2021 and transition to Sterling Overnight Interbank Average Rate (SONIA).

During 2019, the EU finalised amendments to the Capital Requirements Directive IV and the Capital Requirements Regulation, which will be fully effective from 2021. The Society is well capitalised and expects to be able to meet the regulatory requirements in full.

### Succession

This will be my last Chairman's Welcome, as I will retire at the Annual General Meeting (AGM) in April. Well managed succession planning is key to our long term success and in line with best practice, recommended by the UK Corporate Governance Code, we must maintain a high level of skill and expertise on the Board.

Richard Fearon became only the eighth CEO in our 145-year history last February. He is proving to be an excellent leader. The Society faces intense competition combined with economic and political uncertainty, and he has set a clear strategy so your Society is capable of meeting the challenges and opportunities both now and in the future.

Iain Cornish, who joined the Board in January last year, is proposed to succeed me as Chairman. He has over 30 years' experience working in financial services.

He was Chief Executive of Yorkshire Building Society between 2003 and 2011, and has also held a number of non executive posts including Treasury Select Committee Special Advisor and Independent Director for the PRA.

Iain brings a range of knowledge, skills and expertise to the role and I know he will focus on delivering continued success as we enter a new decade.

### Summary

I am able to retire as Chairman in the confidence that your Society is in a strong position. Savings and mortgage balances are at record levels and we have achieved good levels of profitability against a backdrop of intense competition, enabling us to increase capital and reserves.

Competition in our core markets looks set to continue and uncertainty around our future relationship with the EU remains. Nonetheless, while we anticipate more modest growth in the coming years, and lower but still robust levels of profit, our strategic approach means we're well-placed to withstand economic shocks and continue to invest in the long term future of the Society.

I would like to extend my best wishes to my proposed successor, Iain Cornish, and know that my colleagues, led by Richard Fearon, have all the attributes needed so that your Society continues to be successful.

Finally, I would like to thank you, our members, for all your support and commitment. Leeds Building Society would not exist without you and I have been privileged to serve you as Chairman for the last seven years.

**Robin Ashton**  
**Chairman**  
**25 February 2020**

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<sup>1</sup> GfK Consumer Confidence Index December 2019

<sup>2</sup> Office of National Statistics – GDP growth in Q4 - 2019 was zero (versus 0.5% in Q3 - 2019)

<sup>3</sup> Office of National Statistics – Average weekly earnings to December 2019

<sup>4</sup> Office of National Statistics – CPI inflation December 2019

<sup>5</sup> Bank of England – Bank of England Inflation Report projections January 2020

<sup>6</sup> Conditioning paths for Bank Rate released as part of Bank of England Monetary Policy Report January 2020

<sup>7</sup> UK Finance – Gross mortgage lending for the 12 months to December 2019

<sup>8</sup> RICS – UK Residential Market Survey December 2019

<sup>9</sup> Bank of England – Effective Interest Rates on secured loans. The average new mortgage rate has fallen from 2.14% in December 2018 to 1.88% in December 2019

<sup>10</sup> Bank of England – Effective Interest Rates on timed deposits December 2019

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# 2019 Chief Executive Officer's Review

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**Year ended**  
31 December 2019

In my first report as Chief Executive Officer (CEO), I'm pleased to report that we've once again delivered a good set of results despite intense competition in our core markets and political and economic uncertainty which has had an impact on our level of profit.

Leeds Building Society has been built on solid foundations and we remained committed to our mission of helping people save and have the home they want. As a result, savings, mortgage balances, assets and capital are all at record levels.

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We have evolved our strategy so we can maintain the strengths that have made your Society successful over so many years and also allow us to continue to adapt as the pace of change in modern financial services continues to increase, and invest in our long term future to meet the ever changing needs of members.

The Strategy is built on four pillars: **Secure, Customer Centred, Simple** and **Future Facing**, which can only be delivered by the energy, hard work and commitment of our **People** who are vital to achieving our strategic goals.

## **Secure**

**Generate strong, sustainable profit levels through meeting the needs of key customer segments.**

Leeds Building Society has provided security and value to its members for over 140 years. This has been achieved by balancing the needs of both savers and borrowers, sustainable growth and generating appropriate profit levels to invest in the Society and deliver long term value to our membership as a whole.

While this period of historically low interest rates has been challenging for savers, borrowers have benefited from mortgage rates falling further. We have also used our expertise to help people have the home they want in key segments that are less well served by the wider market.

We helped over 10,000 people buy their first home through affordable housing initiatives including Help to Buy and Shared Ownership. Our support for first time buyers was recognised by What Mortgage magazine when we received the 'Best Shared Ownership Lender' accolade for the fourth year in a row.

We were the first national high street lender to offer older borrowers more choice, by launching a new Retirement Interest Only (RIO) range in 2018, and continue to lead the RIO market through our innovative long term fixed rate and cashback mortgages.

As well as supporting first time buyers and later life borrowers, we remained active in the Buy to Let market, which is a key component of the overall housing mix in the UK.



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The quality of our lending remains high. The average loan-to-value on our residential mortgages is only 54%. Mortgage arrears<sup>1</sup> increased slightly to 0.54% at the end of last year compared to 0.46% a year earlier, but still well below the industry average.

The Society has demonstrated its continued support for savers by offering competitive products that suit our members' needs despite the low interest rate environment. We received the Fairer Finance 'Gold Ribbon' for savings accounts for the second year running based on customer happiness and trust, along with our ability to explain things clearly.

Furthermore, we paid an average of 1.38% to our savers in 2019 compared to the rest of market average of 0.75%<sup>2</sup>, which equates to an annual benefit to our savers of £88.5 million.

Our balanced approach for the benefit of our membership as a whole, combined with sustained competition in the mortgage market and high levels of refinancing has translated into lower mortgage income and, without an equivalent reduction in funding costs, has suppressed net interest income.

In addition, under International Financial Reporting Standards (IFRS), we have booked a fair value measurement reduction of £19.7 million, which includes the effect of market rate volatility on both our legacy Equity Release portfolio and other mortgage assets. This is an accounting adjustment which will typically unwind in future periods.

As a result, we delivered profit before tax of £88.0 million, which has enabled us to further increase our capital and reserves to £1.3 billion, well above the regulatory requirement.

Doing the right thing when no one is looking is as important to our members as it is to us and I'm delighted that, having been the first national high street financial institution to achieve the Fair Tax Mark<sup>3</sup>, we have been reaccredited for a second year. All communities benefit from the public services paid for through tax and we believe it is important we pay our share.

### **Customer Centred Deliver an outstanding member and broker experience.**

Throughout 2019 we've continued to focus on what matters to members and brokers, who introduce the majority of our mortgage business, to further improve the customer experience we provide.

Our branches play an important role in attracting the funds we need to help borrowers have the home they want. Our aim is to ensure they remain relevant for our members and the Society's branch network is the most efficient in the UK for cash ISAs<sup>4</sup>. We'll continue to offer a face-to-face service where there is sufficient demand. Our newest locations in Edinburgh and Bournemouth, as well as our relocated branch in Moortown, Leeds, continue to perform well.

In line with other banks and building societies, our members are increasingly using the telephone and internet to access our products and services. Following member feedback, we changed our Contact Centre opening hours and increased the number of colleagues available for our members when they want to call us. This has reduced the average call wait time by 61 per cent and improved the member experience.

We have improved the online experience. Our focus has been on the savings and mortgage pages on the website and we've seen visitors stay on the site longer, and more people opening accounts, demonstrating we've made improvements in line with our members' expectations.

This combined with a focus on increasing awareness and consideration of our brand has further improved the perception of the Society and, thanks to member feedback, we are proud to have achieved a 4 star Trustpilot rating.

We've focused on creating efficiencies in our mortgage process to further improve the service we provide to our broker partners, and help people move into their homes faster. Just over a year ago, we launched Broker Webchat which gives quick and direct access to our expert Business Development Managers and complements our telephone and field teams. Our approach to providing good service and support was recognised by the industry with the Society receiving a '4 Star' rating at the 2019 Financial Adviser Service Awards.

As a result of all the improvements we've made, independent member surveys show overall customer satisfaction remains very high at 91%.

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# 2019 Chief Executive Officer's Review

Year ended  
31 December 2019

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## **Simple** **Drive efficiency by** **removing complexity.**

Our focus on efficiency means we are able to continue to invest for the long term benefit of our membership as a whole, while controlling costs, growing sustainably and returning superior value to members. We anticipate our cost to income ratio of 53.5% and cost to mean asset ratio of 0.50% will remain among the best in the building society sector.

We are making good progress with our new head office, which will enable us to consolidate the three existing office sites we currently have in Leeds into one, and improve the ways of working for colleagues.

Throughout this process, we're recycling as much as possible, including all of the glass we've removed, some of which will come back into the structure in a new form such as worktops. The power supply will be electric from 100% renewable sources, and we will offset all the carbon emissions created in undertaking the refurbishment work. The building is also located in the heart of Leeds, close to existing transport links and when complete, will make us even more efficient, reduce associated operating costs and further reduce our impact on the environment.

Over and above the benefits our new head office will bring, I'm delighted we have once again achieved the Carbon Trust Standard (CTS) for Carbon. Successful certification against the CTS requires organisations to demonstrate good all-round carbon management performance in their day-to-day operations, deliver carbon reductions year-on-year and realise the benefits of associated efficiencies.

## **Future Facing** **Invest in our capabilities** **and technology to meet the** **evolving needs of members.**

The rapidly changing external environment in which we operate, combined with the evolving needs of our members, means we must continue to adapt and invest in the right technology so we remain successful, relevant and responsive for generations to come. We need to make sure our people, processes and technology are set up to deliver our strategy at pace, and we've made good progress in this area.

In addition to our new head office, which will allow us to enhance the way our colleagues interact with technology, we're also investing to future-proof our digital capabilities; to increase the pace of change and deliver a new mortgage system.

Our new mortgage system is an end-to-end mortgage solution from application through to completion. It will offer a more efficient and streamlined journey to brokers and customers. It will also set us up for the future, support mortgage growth and create capacity for the Society to develop additional segments to help more people who are less well served by the wider market. We remain on track to launch the new system later this year.

We continue to develop our digital capability, improving the most popular webpages and making it much easier and faster for members to do what they want to do at their convenience.

We've also further improved the service we offer members who wish to transfer funds, by extending the use of Faster Payments. This has increased speed and efficiency, as well as reducing costs, cash handling and cheque processing in our branches.



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To further drive efficiency and improve member experience, we have increased the use of Robotic Processing Automation (RPA) to automate highly repetitive processes and release our colleagues to carry out more skilled work. Deploying this technology is supporting how we are transforming our operations, making us more efficient and enabling us to deploy more colleagues on to customer facing activity.

## People

**The strategy can only be successful because of our highly engaged people who are central to the delivery of our whole strategy.**

Our colleagues are committed to delivering the best and I'd like to thank them for their passion and energy to deliver all aspects of our strategy. Regular reviews demonstrate high colleague engagement with the latest survey showing 82%, well above the financial services benchmark.

We believe in fair pay for all colleagues and this year we've published our Fair Pay Charter (FPC). The charter contains a number of commitments including providing a competitive total reward package to attract, motivate and retain colleagues, and a range of benefit options to support health and wellbeing. Furthermore, all executive directors voluntarily opted to move to the existing colleague pension scheme without any compensation for the loss in benefits thus reducing the cost to the Society.

While the Society has paid all colleagues at least the Real Living Wage for a number of years, we've gone even further this year and extended it to our third party cleaning and security colleagues, who regularly work on our sites but who are not directly employed by us. Accredited by the Living Wage Foundation, this is higher than the government's minimum, or National Living Wage, and provides a voluntary benchmark for employers that choose to provide a wage that meets the costs of everyday life.

I'm particularly proud of how our colleagues and members have contributed to the communities where they live and work. Together, over the last two years, they have raised more than £300,000 for our first ever national charity partner, Samaritans.

Following this success, we invited applications to become our new charity partner. After an extensive selection and shortlisting process, which saw 33 charities apply, I'm delighted to reveal both members and colleagues chose to support Dementia UK. From April this year, we'll be supporting this charity to take their vital care services into communities across the UK.

Furthermore, the Leeds Building Society Foundation has surpassed £2 million for donations to local worthy causes since it was founded and our colleagues have given over 6,000 volunteering hours in the community to help people of all ages improve their lives.

## Outlook

Competition in our core markets looks set to continue and this, combined with political uncertainty and ambiguity around our future relationship with the EU, means we expect operating conditions will remain challenging. As a result, margin will remain under pressure and we anticipate lower levels of profit than we generated during recent years.

Notwithstanding this, I'm confident we have the right strategy so your Society remains relevant and successful for many years to come. Our financial strength means we can continue to invest for the future, grow sustainably by helping more people save and have the home they want and generate appropriate levels of profit to deliver balanced results for our membership as a whole.

Finally, I would like to thank you, our members, for the support you have given to Leeds Building Society over so many years and to me, in my first year as CEO.

**Richard Fearon**  
**Chief Executive Officer**  
**25 February 2020**

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<sup>1</sup> 1.5% or more of outstanding mortgage balances

<sup>2</sup> CACI's CSDB, Stock, January 2019 to December 2019, latest data available

<sup>3</sup> Fair Tax Mark - A business with the Fair Tax Mark is certified as paying the right amount of tax in the right place at the right time and applying the gold standard of tax transparency

<sup>4</sup> eBenchmarkers Autumn 2019 Savings Report, 1 May to 31 October 2019

36,000 people took out a mortgage with us to have the home they want, including over 10,000 first time buyers.



# Working for you

## You can count on us

2019 was a challenging year for many businesses. Despite this, we can tell you that we delivered a good performance across the Society. We invested more in our services and improved the way we work for you: increasing customer experience and mortgage broker satisfaction scores and making a number of services faster and more accessible to you.

In the last 12 months, we welcomed over 46,000 new savers and provided above market-average savings rates<sup>#</sup>, equating to a benefit for our members of £88.5million in extra interest.

We worked hard to protect the Society's long term future. As the fifth largest mutual in the UK, we're in a strong position to continue lending responsibly and we'll carry on putting our members' interests at the heart of everything we do.

## A strong vision for the future

With Richard Fearon leading the Society, we've refreshed our strategy – reinforcing the culture we know works well for you, as well as listening and focusing on what's most important to you:

### ■ More efficient services

In today's digital world, we all expect financial transactions to happen quickly and safely. We've extended the use of Faster Payments to improve the speed and security of your transactions, as well as reducing the cost to you. To date we've transferred £175 million by Faster Payments, whilst reducing cash handling and cheque processing in branches.

We'll continue to streamline processes to make our service response times quicker for you. Our ongoing programme to improve efficiency is already helping to simplify, standardise and automate a number of high-volume manual processes, resulting in a smoother, faster service. For example, we've reduced the number of days it takes to complete the processing of a mortgage product change, from three working days to one.

### ■ Products that suit you

We are delighted that our innovative Retirement Interest Only Mortgage is helping customers in later life. This is designed for customers aged between 55 and 80 years old, to help finance purchase and re-mortgage needs.

### ■ Increased support for vulnerable customers

We recognise our role in supporting members and showing that we're here for you, for life.

We know that some of our members face particular challenges in life. Our vulnerable customer mandate is helping us serve these members more appropriately and fairly, with empathy and care.

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<sup>#</sup> We paid an average of 1.38% to our savers in 2019 compared to the rest of market average of 0.75%. CACI's CSDB, Stock, January 2019 to December 2019, latest data available.

# Doing more of what you want

## We're shaped by you

TalkingPoint, our customer online community panel, has over 2,500 active members. It's a way we can gather your ideas, listen to your feedback and conduct research, so that we can improve what we do. Over the year, you've given us your thoughts on finance awards and savings rates.

You've also provided feedback on our mortgage application process. Your voice has led us to make a number of changes including:

- **Making our *Mortgage Redemption Guide* easier to follow; and**
- **Increasing our maximum loan to value (LTV) on buy to let properties**

## Committed to mortgage brokers

Importantly, a substantial number of mortgage applications come via brokers, so it's vital we continue to work closely together. We engage directly with brokers through our online broker community panel, *Intermediary TalkingPoint* – an industry first – and these conversations have brought improvements to our website, information resources and services.

## Fighting online fraud

We're always looking to improve the controls we have in place to meet regulations and combat fraud threats; such as the introduction of Strong Customer Authentication, which increases the security of payments by using One Time Passcodes.

Whether it's for mortgages or savings, we're committed to making your online experience as safe as possible. Our Financial Crime Prevention team are continually updating the guidance we provide to our members on how to protect themselves against fraud.

## Acting on your feedback

It's not just online where we're improving services. We know our branch network matters to you too, and we're committed to making long term improvements. Acting on your feedback, our Cheltenham branch was upgraded and the Moortown branch in Leeds was relocated to larger premises.

**If you'd like to get involved in conversations that help shape your Society simply sign up to our online community panel TalkingPoint at:**

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

We're investing in new technology to combat online fraud as well as improve your online experience.





In 2019, our colleagues volunteered over 6,000 hours to community projects including mentoring children, helping at foodbanks, marshalling events and creating outdoor spaces for the benefit of local people.

# Making a difference where it matters

## **Powerful partnerships making an impact**

Since our partnership began with Samaritans in 2018, through member contributions and colleague fundraising we've raised more than £300,000. The money donated is transforming the technology used by Samaritans, ensuring they can continue to be there when it matters.

Since 2007, the Society has been a big partner of Leeds Rhinos rugby club. As well as being the team's shirt sponsor, our branding is visible around the club's high-profile Emerald Headingley Stadium.

In August 2019, we linked these two fantastic partners in an effort to highlight the importance of mental wellbeing. We gifted our sponsorship of Leeds Rhinos' players' shirts to Samaritans for one very special game and hosted activities at the club stadium, drawing attention to the important work that Samaritans provides 24/7, 365 days of the year.

## **Our charity partner for 2020**

After two successful years, our first national charity partnership with Samaritans is concluding at the end of March 2020. We're excited to reveal that, following a member and colleague vote, we'll be supporting Dementia UK from April 2020. This four-year partnership will help the charity take vital dementia care services into communities across the UK.

Leeds Building Society makes a charity donation every time you vote in the AGM (we donate 10p per paper vote and 20p per online vote received). You can help get the partnership off to a great start by choosing Dementia UK as the preferred beneficiary when you vote.

## **Helping young people**

In addition to our charitable giving, we're supporting the national school curriculum by delivering bite-sized modules to pupils at Key Stages 1-4, to strengthen financial education at a young age. So far, we have delivered sessions in banking, budgeting, spending, saving and consumer choice.

We've also signed up for the Social Mobility Pledge, which is a cross party campaign to improve social mobility in the UK.

Over the next year we will be offering work experience and Apprenticeships to provide more employment opportunities for young people and level the playing field for those from disadvantaged backgrounds.

## **Proud of our partnership with parkrun**

We are extremely proud of all the amazing work with parkrun, that has helped bring communities nationwide together. Our final campaign with parkrun was the Big Community Relay. This event saw 15 location-transmitting Community Relay Batons travel across parkrun regions, by runners both in the UK and beyond, to 10 different countries. The batons covered over 40,000 miles, equivalent to almost 13,000 parkruns, sparking conversations and uniquely demonstrating the power of working together. We wish parkrun many more miles of success in the future.

# Dedicated to giving our best

## An efficient and effective Society

Reducing our environmental footprint matters to us all, so we're striving for greener choices, helped by our 'Green Ambassador' colleagues. Since 2016 we've lowered our carbon emissions by 96% and in 2019 continued to purchase 100% renewable electricity for all our branches and offices – the equivalent of taking 575 cars off the road for a year.

To minimise costs and maximise efficiency further, in 2021 we plan to bring 900 colleagues, currently based across three sites, into a new energy-efficient head office building in central Leeds. As well as working together more effectively, the move promises to have a positive impact on our colleagues, the environment and the service we provide to our members.

## A Society you can trust

We're proud to have been accredited with the Fair Tax Mark for the second consecutive year. In fact, we're the first national high-street financial institution to have achieved the Mark, which recognises our commitment to paying our fair share of tax and sets the industry standard around tax transparency.

For consumers, online reviews are a popular way to research, compare and rate financial brands like ours, and they're another great way for us to build trust. In 2019, we achieved a Trustpilot 4 star rating, which indicates a real and measured increase in customer trust and positive feelings towards the Society and all we're doing.

## Winners at awards

It's not only customers that are recognising our efforts. The industry is recognising our commitment to delivering our best too. Our savings accounts won another Gold Ribbon from Fairer Finance – which rates customers' happiness and trust and our complaint handling and transparency – placing us above 80% of other financial services providers. We also won:

- **What Mortgage Awards 2019**  
Best Shared Ownership Mortgage Lender
- **Global Good Awards**  
Bronze Global Good Company of the Year
- **National Centre for Diversity**  
Best Financial Services Company of the Year
- **Legal and General Mortgage Club Awards 2019**  
Best Lender (later-life lending)
- **Business Charity Awards**  
Highly Commended for our work with Samaritans



## A Society people want to work for

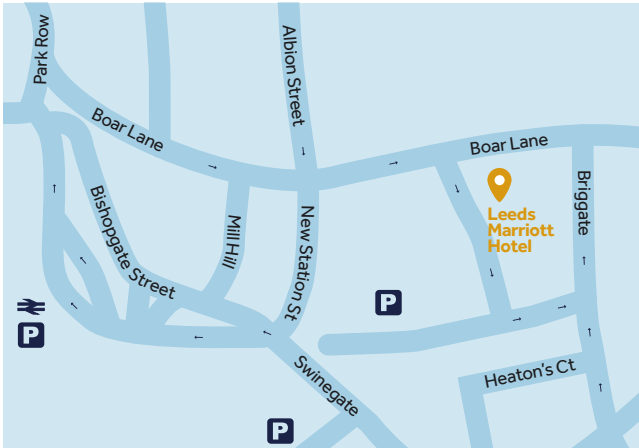
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Our colleagues are also on board with our plans. We achieved a colleague engagement score of 82% in 2019. Our fair reward approach means we're committed to ensuring fairness of pay and paying colleagues at least the Real Living Wage. We were proud to achieve accreditation as a Living Wage Employer, from the Living Wage Foundation in 2019. We've made significant progress against our diversity and inclusion aims, and as part of our Women in Finance Charter commitments, we've set ourselves gender diversity targets for the Board and the Senior Leadership Team.

In addition, we place a strong emphasis on the personal development of our colleagues and do all we can to support their wellbeing. We have 44 mental health first aiders in the business, trained to offer support when the need arises.



# Attending the Annual General Meeting



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

## **Bus/Train**

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

## **Taxis**

There's a taxi rank directly outside Leeds train station or we'd recommend booking a taxi in advance.

## **Parking**

Parking is available at:

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

## **Voting at the AGM**

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

Friday  
3 April 2020  
11am

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

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

# You vote, we donate

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

You can choose how you split your donation across the charities listed here.

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

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

## Leeds Building Society Foundation

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Leeds Building Society Foundation makes donations of up to £1,000 to UK registered charities to support those who are disadvantaged or in vulnerable circumstances. Since 1999 it has made over 3,000 donations to local projects and good causes across the UK.



## Dementia UK

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Every three minutes, someone in the UK is diagnosed with dementia. Without support, it can pull a family apart. Dementia UK provides expert, compassionate support to families facing dementia, through specialist nurses. These nurses – called Admiral Nurses – support families when and where they need it most. They provide a lifeline for families struggling to cope with the hardship of dementia, especially at the toughest of times.



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# Notice of Annual General Meeting

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For the year ended  
31 December 2019

**Notice is given that the 145th Annual General Meeting (AGM) of the members of Leeds Building Society will be held on Friday 3 April 2020 at the Leeds Marriott Hotel, 4 Trevelyan Square, Boar Lane, Leeds, LS1 6ET at 11am for the following purposes:**

## Ordinary Resolutions

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

1. To receive the Directors' Report, the Annual Accounts, the Annual Business Statement and the Auditors' Report for the year ended 31 December 2019.
2. To re-appoint Deloitte LLP as Auditors until the conclusion of the next AGM.
3. To approve the Directors' Remuneration Report for the year ended 31 December 2019.

## Election and Re-Election of Directors

4. To consider and if thought fit, elect and re-elect the following as Directors:

- (a) to elect Andrew Peter Conroy
- (b) to re-elect Annette Marie Barnes
- (c) to re-elect Iain Charles Andrew Cornish
- (d) to re-elect Richard Guy Fearon
- (e) to re-elect David Fisher
- (f) to re-elect Andrew John Greenwood
- (g) to re-elect Gareth John Hoskin
- (h) to re-elect John Anthony Hunt
- (i) to re-elect Lynn Reston McManus

By Order of the Board

### Katherine Tong

Director of Legal and Compliance and Secretary  
25 February 2020

## Notes

1. *These Notes form part of the Notice of the Meeting.*
  2. *Under the Society's Rules, a member entitled to attend the Meeting and vote may appoint a representative to attend and vote on his or her behalf. You may appoint the Chair of the Meeting or anyone else as your representative and your representative does not need to be a member of the Society. Your representative may vote for you at the Meeting but only on a poll.*
  3. *You can instruct your representative how to vote at the Meeting. Please read the instructions on the Voting Form.*
  4. *You are entitled to vote if:*  
**Age:** (i) you are at least 18 years of age on 3 April 2020, and  
**Membership (ii)** you (a) had a shareholding (shareholding member) in the Society of at least £100 on 31 December 2019 or (b) owed, as a borrower (borrowing member), at least £100 to the Society on a mortgage loan on 31 December 2019; and  
**(iii)** you are either a shareholding member (whatever your account balance is) continuously between 31 December 2019 and the voting date or a borrowing member (owing us at least £100) on the voting date; and  
**(iv)** you are the first named account holder in our records.  
**The voting date** is either Thursday 2 April 2020 if you are using a paper form to vote by proxy or if you are voting online (votes must be received by midday), or Friday 3 April 2020 if you are voting in person at the Annual General Meeting.
  5. *Members attending the Meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. If you are appointing a representative, other than the Chair of the Meeting, to attend the Meeting and vote on your behalf, please ensure that they bring an appropriate form of identification to the Meeting. This may include, for example, a valid driving licence or passport.*  
**If you appoint a representative to vote on your behalf and your representative does not attend the Meeting, your vote will not be counted.**
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# Notice of Annual General Meeting

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## **Explanatory notes**

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

### **1. Receiving Directors' Report, Annual Accounts, Annual Business Statement and Auditors' Report**

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 members formally receiving the Auditors' Report.

### **2. Appointment of Auditors**

It is a requirement that the Auditors are appointed by the members each year.

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

As a building society, the Society is not required to prepare an annual report on directors' remuneration nor is the Society required to propose a resolution for its approval in the way that a listed company is required to do so. 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 2019. The summary Directors' Remuneration Report is set out on pages 28 to 31 of this magazine. The vote on this Resolution will be treated as advisory only and the directors entitlement to remuneration is not conditional on this resolution being passed.

### **4. Election and re-election of Directors**

The Board has considered the provisions of the UK Corporate Governance Code relating to the re-election of existing directors and has resolved that it is appropriate to submit the Society's directors named within this Notice for annual re-election.

Andrew Peter Conroy is seeking election for the first time at the Annual General Meeting and his appointment to the Board is subject to regulatory approval (an application for which has been submitted by the Society and is currently underway). His biographical details are included on page 23.

The Board considers that all directors have/continue to have the requisite skills, knowledge and experience and demonstrate the necessary commitment to their roles.

The biographical details of each director standing for election and re-election are included on pages 22 to 24.

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

# Board of Directors

Directors standing for election and re-election

## Key to Board Committees:

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



## Richard Fearon Chief Executive Officer

**Appointed:** Chief Executive Officer in February 2019 and Executive Director in 2016.

**Strengths and experience:** Richard started his career at Oliver Wyman & Company and spent 10 years at Lloyds Banking Group in senior mortgage and savings roles. Richard has an excellent understanding of product development to meet customer needs, as well as strong strategic and commercial skills.

As Chief Executive Officer, Richard has responsibility for developing and proposing the Society's strategy, objectives and plans, and maintaining our business model and culture.

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



## Iain Cornish Independent Non Executive Director

**Appointed:** Independent Non Executive Director in January 2019 and proposed Chair of the Board following the AGM.

**Committee membership:** **A B N**\*

**Strengths and experience:** Iain joined the Board with over 30 years' experience working in financial services and was CEO of Yorkshire Building Society between 2003 and 2011. During 2007/2008, Iain was Chair of the Building Societies Association. He has also held a number of non executive posts, was a Treasury Select Committee Special Advisor and Independent Director for the PRA. He also chaired the Financial Services Authority Practitioner Panel. In addition to significant experience of the sector, Iain has relevant risk and audit committee experience.

**Other roles:** Iain is the Chair of St James Place plc and a trustee and treasurer of Macmillan Cancer Support.

\*Iain will be proposed as the Chair of the Nominations Committee after the AGM.



### Annette Barnes

Independent Non Executive Director | Appointed: February 2019.

Committee membership: **B**

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

Prior to joining the Society, Annette was most recently CEO at Lloyds Bank Private Banking Ltd and Managing Director of Wealth & Mass Affluent for Lloyds Banking Group. Her background in operations, technology and customer experience, combined with her recent board and regulatory experience, has further strengthened the Board.

**Other roles:** Annette is a non executive director of GlobalData plc, Old Mutual Wealth Ltd and Old Mutual Wealth Life & Pensions Ltd.



### Andrew Conroy

Chief Financial Officer | Appointed: January 2020\*.

**Strengths and experience:** Andrew started his career at PricewaterhouseCoopers before moving to West Bromwich Building Society. He has more than 15 years' experience in Financial services, including a number of senior roles in both building society and banking institutions. He has worked within Finance, Treasury and Corporate Strategy and has developed strong technical skills in financial accounting and treasury risk management.

Andrew is the Chair of the Asset and Liabilities Committee and has responsibility for the Society's Finance and Treasury management functions along with oversight of the Society's recovery and resolution plan and activities.

\*Andrew joined the Society in July 2019 as Interim Chief Financial Officer and was appointed to the Board in January 2020 subject to regulatory approval (an application for which has been submitted by the Society and is currently underway).

**Other roles:** Andrew is a trustee for Saltmine Trust.



### David Fisher

Independent Non Executive Director | Appointed: March 2012.

Committee membership: **B A R**

**Strengths and experience:** David has over 30 years' experience in financial services, beginning his career with Halifax Building Society.

Prior to joining the Society, he was CEO of Sainsbury's Bank and he also undertakes a number of advisory roles. During his career, he has developed a wealth of knowledge in retail financial services and has a strong understanding of risk management, pensions and human resources. As Chair of the Board Risk Committee, David's responsibilities include safeguarding the independence of the Risk function. David is also a member of the Society's Remuneration Committee and Audit Committee.

**Other roles:** David is a non executive director of Pollen Street Secured Lending plc.



### Andrew Greenwood

Chief Risk Officer | Appointed: January 2015.

**Strengths and experience:** Andrew joined the Board as Chief Risk Officer in 2015. He started his career as a solicitor in private practice and has worked for the Society since 1998 in a variety of legal, compliance and risk-focused roles.

He has developed extensive experience of working in a highly regulated environment. His skills and experience enable him to lead the Risk Function, which comprises a number of specialist teams.

Andrew is responsible for the overall management of the risk control framework of the Society, which includes co-ordinating and managing principal risks and risk appetite. He reports directly to the Board Risk Committee and attends all the Society's management risk committees.

From the start of 2020, Andrew has also taken on responsibility for the Society's Human Resources, Learning and Development and Property and Business Services functions.



### Gareth Hoskin

Independent Non Executive Director | Appointed: November 2015.

Committee membership: **A** **B** **N** **R**

**Strengths and experience:** Gareth has gained extensive experience acquired over his 30 year career in UK and international financial services, as a director of Legal & General plc and CEO of its International Division and previously as a chartered accountant at Price Waterhouse. In January 2019, Gareth was appointed as Vice Chair and Senior Independent Director. As Chair of the Audit Committee, his responsibilities include safeguarding the independence of the Internal Audit function and acting as the Society's whistleblowing champion.

**Other roles:** Gareth is a non executive director of The British Diabetic Association, Diabetic UK Services Ltd, Saga plc and Acromas Insurance Services Ltd and advisor to the Board of Green Park Partners Ltd.

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### John Hunt

Independent Non Executive Director | Appointed: April 2015.

Committee membership: **B**

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

His areas of particular specialism fall within credit and treasury risk management.

As a member of the Society's Board Risk Committee, John contributes to discussions relating to risk management; risk appetite; risk monitoring and assurance.

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### Lynn McManus

Independent Non Executive Director | Appointed: September 2017.

Committee membership: **R** **A** **B**

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

She has worked within finance, risk, HR and communications. Her most recent role was at Clydesdale Bank, where she was a member of the executive team. Lynn is a chartered management accountant.

Lynn is the designated non executive director for workforce engagement and a member of the Audit Committee.

In January 2019, Lynn was appointed Chair of the Remuneration Committee. In this role, she is responsible for overseeing the development and implementation of the Society's remuneration policies and practices.

**Other roles:** Lynn is a director of Kane LMMG Ltd and Doggy Day Care Academy Ltd.

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**The directors have pleasure in presenting the Summary Financial Statement of the Society and its subsidiaries ('the Group') for the year ended 31 December 2019.**

The Statement is a summary of information published in the audited Annual Accounts, Directors' Report and Annual Business Statement, all of which are available to members and depositors, on the Society's website ([www.leedsbuildingsociety.co.uk/press/financial-results/](http://www.leedsbuildingsociety.co.uk/press/financial-results/)) or on request at any branch, free of charge, from 23 March 2020.

The Independent Auditor's Report on the Society's full Annual Report and Accounts was unmodified.

**Summary Directors' Report**

The Summary Directors' Report for the year ended 31 December 2019 comprises the Chairman's Statement on pages 4 and 5, and the Chief Executive Officer's Review on pages 6 to 9.

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

**Approved by the Board of Directors on 25 February 2020 and signed on its behalf by:**

**Robin Ashton**  
Chairman

**Richard Fearon**  
Chief Executive Officer

**Andrew Greenwood**  
Chief Risk Officer

**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 sufficient profit each year in order to maintain its capital ratios at a suitable level to protect investors.

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

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

# Summary Financial Statement

<b>Results for the year</b>	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Net interest receivable	200.8	218.1
Other income and charges	8.2	8.5
Fair value losses from financial instruments	(19.7)	(5.7)
Management expenses	(101.2)	(98.9)
Impairment (losses)/gains on loans and advances to customers	(2.8)	1.2
Reversal of impairment losses on property, plant and equipment	0.1	–
Provisions release	2.6	0.2
Loss on sale of financial assets	–	(6.5)
<b>Operating profit and profit before tax</b>	<b>88.0</b>	<b>116.9</b>
Taxation	(21.8)	(27.7)
<b>Profit for the year</b>	<b>66.2</b>	<b>89.2</b>
<b>Financial position at the end of the year</b>		
<b>Assets:</b>		
Liquid assets	3,323.2	2,826.8
Mortgages	16,779.3	15,821.9
Other loans	219.4	229.5
Derivative financial instruments	182.9	273.4
Fixed and other assets	303.0	238.5
<b>Total assets</b>	<b>20,807.8</b>	<b>19,390.1</b>
<b>Liabilities and equity:</b>		
Shares	14,487.2	13,925.2
Borrowings	4,646.7	3,870.6
Other liabilities	155.3	210.4
Derivative financial instruments	200.4	133.2
Subscribed capital	232.1	224.2
Equity	1,086.1	1,026.5
<b>Total liabilities and equity</b>	<b>20,807.8</b>	<b>19,390.1</b>
<b>Summary of Key Financial Ratios</b>		
Gross capital as a percentage of shares and borrowings	6.88%	7.05%
Liquid assets as a percentage of shares and borrowings	17.34%	15.90%
Profit for the financial year as a percentage of mean total assets	0.33%	0.47%
Management expenses as a percentage of mean total assets	0.50%	0.52%

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# Summary Financial Statement

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

We have examined the Summary Financial Statement of Leeds Building Society and its subsidiaries (the Group), for the year ended 31 December 2019 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.

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

The directors are responsible for preparing this Member Magazine 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 Member Magazine 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 Member Magazine and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises the items listed on the contents page.

## **Basis of opinion**

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Report and Accounts, Annual Business Statement and Director's Report. Our report on the Group's and Society's full Annual Report and Accounts describes the basis of our audit opinion on those full Annual Report and Accounts.

## **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 2019 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

## **Use of our 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.

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

**25 February 2020**

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# Directors' Remuneration Report

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Dear Member

As Chair of the Remuneration Committee, I am pleased to present the 2019 Directors' Remuneration Report.

The Report is produced in compliance with the FCA Dual-Regulated Firms Remuneration Code.

The Remuneration Policy remains unchanged from when it was approved by members at the AGM in April 2018. The full policy (including the statement of how the policy will be applied in 2020) is included in the 2019 Annual Report and Accounts, available on the Society's website.

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

The key focus of the Remuneration Committee is to set our Remuneration Policy including pay, variable remuneration and other benefits for executive directors and Material Risk Takers.

The committee considers the Society's performance and the executive directors in detail, taking into account the balance of performance.

## Performance and awards

Earlier sections of the Annual Report and Accounts have explained we have again delivered a good financial performance in 2019 in our core savings and mortgage markets and have remained focused on sustainable growth by delivering value to our members and helping them save and have the home they want.

Whilst profit levels are not as high as previous years, there has been a focus on efficiency and managing costs which contributed to a positive level of profit. There has also been a balance in performance this year across the corporate performance measures, with positive achievements in customer experience, colleague engagement and on new business performance.

As a result, annual bonuses of between 33% and 40% (2018: 42% and 45%) have been awarded to the executive directors, which represents between 66% and 80% (2018: 83% and 90%) of the maximum award available.

In arriving at the decision to award variable remuneration, a full risk assessment process is undertaken, during which the committee considers a range of factors and input from the Board Risk Committee. Very careful consideration was given to the risk and performance assessment processes.

The Remuneration Policy has operated as intended and there has been no Remuneration Committee discretion applied to the outcomes.

## Executive director changes

As reported last year, Richard Fearon succeeded Peter Hill as Chief Executive Officer with effect from 27 February 2019.

Robin Litten, Chief Financial Officer left the Society on 18 April 2019. Andrew Conroy joined the Society in July 2019 as Interim Chief Financial Officer and was appointed to the Board from 6 January 2020, subject to regulatory approval (an application for which has been submitted by the Society and is currently underway).

Karen Wint, Chief of Staff retired from the Board on 31 December 2019. Karen has made a number of key contributions over many years to assuring the long term success of the Society.

## 2019 remuneration changes

As reported last year, the Remuneration Committee agreed a salary increase for Richard Fearon to £450,000, in respect of his promotion to Chief Executive Officer.

An increase of 3.25% was awarded to the Chief Risk Officer in April 2019, in line with the colleague population and an additional increase of 5% was awarded in May 2019, to reflect greater responsibilities.

The salaries of other executive directors increased by 2.25%, as did the Chairman's and non executive directors' fees, in line with the colleague population. The basic salary increase for colleagues ranged from 0% to 5%, with an average of 2.34%.

A small number of other colleagues, who are senior managers whose actions can have a material impact on the risk profile of the Society, are considered Material Risk Takers. The average salary increase for this group in April 2019 was 3%.

The committee was supportive of the executive directors' decision to voluntarily opt to move to the existing colleague pension scheme, from September 2019, without any compensation for the loss incurred.

## Other matters considered by the Remuneration Committee

As well as myself as Chair, the committee consisted of two other non executive director members: David Fisher and Gareth Hoskin.

There were six meetings in 2019, dealing with the review of compliance with the Remuneration Code, the setting and review of performance against objectives, reviewing the variable remuneration schemes, considering the underlying measures of success for the annual schemes, Gender Pay Gap reporting and the oversight of reward for the general colleague population. The committee also reviewed the benchmarking of remuneration and received an update from PwC on remuneration trends.

# Directors' Remuneration Report

The Remuneration Committee developed and approved our Fair Pay Charter in 2019, which commits us to:

- executive directors' pension contributions aligned to those of colleagues;
- providing sufficient information for colleagues to understand how they are rewarded, including clear performance standards and feedback;
- listening to our colleagues in remuneration decision making, through appropriate dialogue with our Colleague Association; and
- providing a competitive total reward package to attract, motivate and retain colleagues, including a range of benefit options to support health and wellbeing.

In my first year as non executive director responsible for representing colleague views at the Board, I have sought the views of colleagues by attending regular meetings with our Colleague Association, met colleagues around the business and had oversight of the colleague engagement survey 'Your Voice' results.

Throughout the year, I have provided regular updates to the Board, which have demonstrated the strong people culture in the organisation and highlighted areas to take into our future people strategy.

## Looking ahead

Looking ahead to 2020, the committee's focus will continue to ensure we have the right reward structures in place, to support our future priorities to attract and retain the talent we will need to deliver our objectives.

## Summary

I trust you will find this report helpful and informative. The Remuneration Committee recommends that members vote in favour of the 2019 Directors' Remuneration Report at the AGM.

## Lynn McManus

Chair of the Remuneration Committee  
25 February 2020

## Annual Report on Remuneration

### Total remuneration summary

The total remuneration received by executive directors for 2019 is detailed below, compared with 2018. The total remuneration for executive directors equates to 2.8% of profit before tax (2018: 2.3%). This information has been audited and shows remuneration for the years ending 31 December 2018 and 31 December 2019, as required to be reported under the Building Societies (Accounts and Related Provisions) Regulations 1998. The awards made in respect of performance in 2019 are in line with the 2019 Remuneration Policy, with a maximum variable pay of 50% for executive directors.

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

## 2019 audited

Executive directors	Salary	Annual bonus	Pension	Loss of office	Total fixed remuneration	Total variable remuneration	Total remuneration
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R G Fearon	430	169	60 <sup>(3)</sup>	–	490	169	659
P A Hill <sup>(1)</sup>	253	–	54 <sup>(3)</sup>	–	307	–	307
R S P Litten <sup>(2)</sup>	99	30	23 <sup>(3)</sup>	499 <sup>(5)</sup>	621	30	651
K R Wint	270	90	62 <sup>(3)</sup>	–	332	90	422
A J Greenwood	293	120	56 <sup>(3)</sup>	–	349	120	469
Total remuneration <sup>(4)</sup>	<b>1,345</b>	<b>409</b>	<b>255</b>	<b>499</b>	<b>2,099</b>	<b>409</b>	<b>2,508</b>

# Directors' Remuneration Report

## 2018 audited

Executive directors	Salary	Annual bonus	Pension	Loss of office	Total fixed remuneration	Total variable remuneration	Total remuneration
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R G Fearon	292	146	50 <sup>(3)</sup>	–	342	146	488
P A Hill	467	211	107 <sup>(3)</sup>	–	574	211	785
R S P Litten	320	142	74 <sup>(3)</sup>	–	394	142	536
K R Wint	264	112	63 <sup>(3)</sup>	–	327	112	439
A J Greenwood	275	115	55 <sup>(3)</sup>	–	330	115	445
Total remuneration <sup>(4)</sup>	<b>1,618</b>	<b>726</b>	<b>349</b>	<b>–</b>	<b>1,967</b>	<b>726</b>	<b>2,693</b>

### Notes

(1) P A Hill retired on 30 June 2019.

(2) R S P Litten left the Society on 18 April 2019.

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

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

(5) Loss of office includes payments in addition to payments in lieu of notice in accordance with contractual terms and in line with the Remuneration Policy.

### Performance outcomes against targets for incentive awards

The 2019 scheme has generated awards of between 33% and 40% (2018: 42% and 45%) of salary for executive directors, reflecting between 66% and 80% (2018: 83% and 90%) of the maximum award available.

The 2019 scheme provides for:

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

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

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

### Pensions and other benefits

A J Greenwood is a deferred member of the defined contribution section of the pension scheme and has opted for a cash allowance in lieu of the Society's pension contribution. K R Wint and R G Fearon opted to receive pension benefits as part contributions to the defined contribution section of the pension scheme and part cash allowance, in lieu of the Society's pension contribution.

No executive director has the right or opportunity to receive enhanced benefits beyond those already disclosed, and the committee has not exercised its discretion during the year to enhance benefits.

Executive directors may be entitled to receive compensation for loss of office. Such payments will be based on the monthly salary and pension contributions that the executive would have received if still in our employment.

### 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 £8,662 has been made in 2019 to K L Rebecchi, the former Distribution and Marketing Director who left the business on 30 June 2015. A payment of £141,390 has been made in 2019 to P A Hill, the former Chief Executive Officer who left the business in 30 June 2019. These payments are in respect of an incentive award which was subject to deferral and risk assessment. The committee determined that no risk adjustment was appropriate.

# Directors' Remuneration Report

## Payments for loss of office

On 18 April 2019, Robin Litten left his role of Chief Financial Officer. All payments made to Robin in respect of his service during 2019 are reported in the single figure in the remuneration table.

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

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

## Remuneration for non executive directors

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

Non executive directors	Basic fees (£'000)		Benefits <sup>(1)</sup> (£'000)		Committee chair fees (£'000)		Total (£'000)	
	2019	2018	2019	2018	2019	2018	2019	2018
R J Ashton (Chairman) <sup>(2)</sup>	150	147	3	5	–	–	153	152
G Hoskin (current Vice Chairman)	50	48	5	6	23	17	78	71
L M Platts (previous Vice Chairman) <sup>(3)</sup>	–	65	–	4	–	–	–	69
A M Barnes <sup>(4)</sup>	46	–	3	–	–	–	49	–
P A Brown <sup>(5)</sup>	16	48	1	2	–	–	17	50
I C A Cornish <sup>(6)</sup>	50	–	1	–	–	–	51	–
D Fisher	50	48	–	–	17	17	67	65
J A Hunt	50	48	4	4	–	3	54	55
P A Jenks	50	48	–	–	–	–	50	48
L R McManus	50	48	4	3	11	–	65	51
<b>Total</b>	<b>512</b>	<b>500</b>	<b>21</b>	<b>24</b>	<b>51</b>	<b>37</b>	<b>584</b>	<b>561</b>

## Notes

- (1) In addition to the payment of fees, non executive directors are reimbursed for travel expenses for attending meetings and where tax liability arises, this will be covered by the Society.
- (2) On 1 October 2019 Mr Ashton, the Chairman, inadvertently ceased to hold a shareholding with the Society of not less than £1,000, as required by the Society's Rules. This meant that technically Mr Ashton's directorship ceased with effect from that date. Mr Ashton was re-appointed as a director by the Society's Board on 13 January 2020. The Board is satisfied that during the period from 1 October 2019 to the date of his re-appointment to the Board, Mr Ashton continued to fully perform his role and responsibilities to the Society. The Remuneration Committee is therefore satisfied that the payment of fees and benefits remained appropriate for the relevant period.
- (3) This director retired on 31 December 2018.
- (4) This director was appointed on 1 February 2019.
- (5) This director resigned on 30 April 2019.
- (6) This director was appointed on 1 January 2019.

An increase of 2.25% was agreed for the Chairman to £150,959 with effect from 1 April 2019. The fee for the Vice Chairman was increased by 2.99% to £73,505 and the basic non executive director's fee was increased by 3.34% to £50,000. The committee chair fee was increased by 2.25%.



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Head office: 105 Albion Street, Leeds, LS1 5AS

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