



# Business Review and Summary Financial Statement

**For the year ended 31 October 2019  
including Notice of Annual General Meeting**

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## Results Year ended 31 October 2019



I am pleased to present the results for the Society for year ended 31 October 2019.

The AGM notice is contained later in this summary and I would encourage you to read it, vote and provide your

email address so we can send you this notice and other Society documents electronically. It helps save money and paper.

The Society has achieved its highest ever gross lending value in a single year despite the competitive mortgage market and uncertainties created by the EU Exit negotiations. During the year the Society continued to expand its lending range and channel reach. Together this helped to achieve advances of over £66m. The Society has worked hard on retaining mortgage customers and together with the increased lending gross mortgage assets have risen to a new record of over £250m. This is also a new Society record. As a consequence of this higher lending, liquidity levels fell during the year.

In listening to our saver members, the Society has responded by making a number of positive changes to accounts this year including ISAs. These changes applied to new and existing customers alike. The range and number of fixed bonds has increased so that at least one was available in each month during 2018/19.

The prolonged uncertainty over how the UK will exit the EU has created volatility in the financial markets which has added £0.1m to the normal costs of business reducing in year profits. An administrative error has created the need for an additional provision related to a single mortgage. Although it is prudent to provide for a potential loss, the Society is following a legal process to restore its

charge and thereby avoid a real loss. These events have reduced the reported annual profit.

Despite all the challenges faced, the results for the year are good as can be seen from these financial highlights:

- Gross lending up 49%
- Net Mortgage balances up 12% to £255m (2018 - £228m)
- Share balances up to £249m (2018: £242m)
- Profit before tax and FSCS levy is £0.5m (2018 £0.8m)
- Increased gross capital to £23.3m or 8% of shares and borrowings (2018: £23m and 8.3% respectively)

The low interest rate economic environment continues to make it more difficult for the Society to quickly grow profits. Whilst recognising the needs of savers who have had low market rates since 2009, the Society will strive to strike a balance between these competing demands in order to enable future investment in new services and expertise. In the current markets, the underlying level of pre-tax profit of £0.6m is, in our view sufficient. Unlike plc institutions, the Society does not seek to maximise profits but rather generate sufficient profits to support the Society's activities.

The Society continues to manage costs and interest margin to remain profitable and financially strong. Building capital over time is a business imperative. We place significant emphasis on preserving the strength of our balance sheet and managing the Society prudently. Our capital ratios are strong and well above the 3% leverage ratio set by the Bank of England.

It is inevitable that some borrowers will find themselves in difficulty. It is pleasing to report that residential arrears cases remain under control and are similar in number to last year when excluding a legacy portfolio of buy to let properties. The overall impairment provision stands at £1.1m.

# Chief Executive's Introduction

During the year the Society has produced retained profits of £0.4m taking total reserves to £23.3m, which is an indicator of financial stability and strength.

## Community work

During the year, the staff continued to contribute hours of voluntary work to a variety of local good causes. This type of engagement with our local communities is part of who we are and central to the mutual model. Member owned; customer driven.

The volunteering work will continue in 2020.

## Outlook for 2020

Although the Society does not provide formal forecasts, it is important that members understand the market conditions anticipated in the coming year.

The impact of uncertainty with EU exit can be seen in reducing transaction volumes in housing markets. First time buyers continue to occupy the main part of new lending markets. Some will rely on the bank of mum and dad and our Family Assist range remains relevant for this borrower group. The number of mortgages running into retirement age is another feature of the changes we see within lending markets. The Society will continue to offer loans for the older borrower who can afford them. The direction of future interest rate change is finely balanced and will be influenced by how the UK exits the EU which means rates are, in our view, equally likely to go down as they are to go up.

It would appear that the short-term economic conditions will continue to be difficult whilst the uncertainty of EU exit remains and for some time immediately after, however long or short that might be. We will therefore continue to manage the Society prudently given these uncertainties.

The Society only exists because of its members. Consequently, we strive to improve your access to our services. We will continue to offer competitive products to meet a variety of customer needs and maintain margins to keep the confidence of the Regulators and you, as members in our financial strength.

## Our Board

After ten years on the Society's Board and over three years as Chair, David Bowyer will be stepping down after the AGM in February 2020. In 2016, David Bowyer took over from Scott Mellors and has overseen the Society grow to its new record size. One of our existing Non-Executive board directors, Helen Sachdev, who is currently Chair of the Audit and Compliance Committee, is planned to succeed him as Chair. On behalf of the members, I would like to thank David for all his hard work and we all wish him well in his future roles.

## Our People

Service matters enormously to you our members. I am grateful for the dedication of management and staff who continue to provide you with an excellent personal service. During the year, the staff have received many compliments on service excellence delivered by them. The Society remains committed to being customer led and member owned, providing financial security and long-term value and choice for current and future generations of members.

I would like to thank you all for your support over the year and hope you have a successful and enjoyable year.

**Gary Brebner**  
Chief Executive  
22 January 2020

# Key Performance Indicators

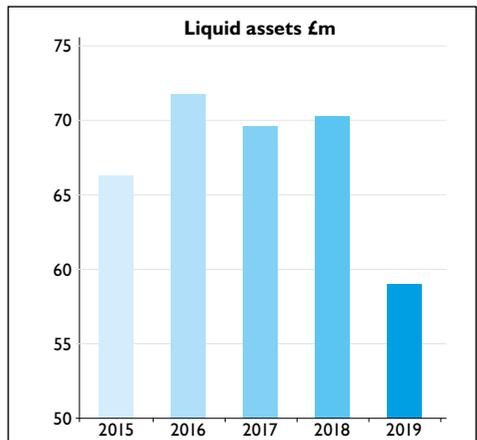
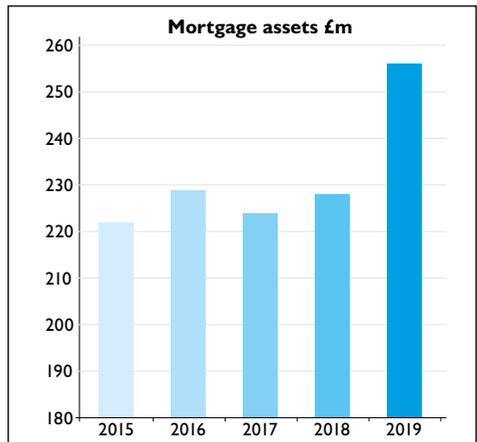
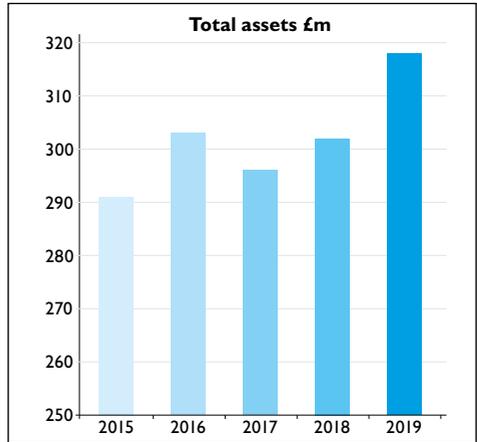
Founded in 1867, Loughborough Building Society remains true to the ideals of the group of local businessmen who got together to provide the people of Loughborough and District with opportunities to save and borrow money.

For over 150 years, the Society has been helping people to buy their homes and save for their future and is proud to have remained an independent, mutual provider of mortgages and savings.

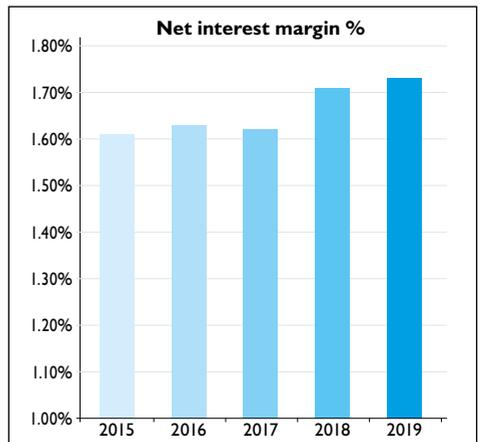
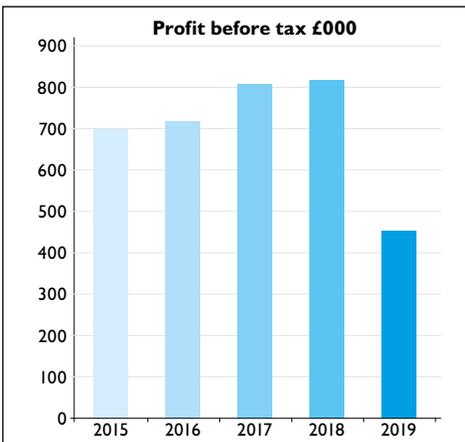
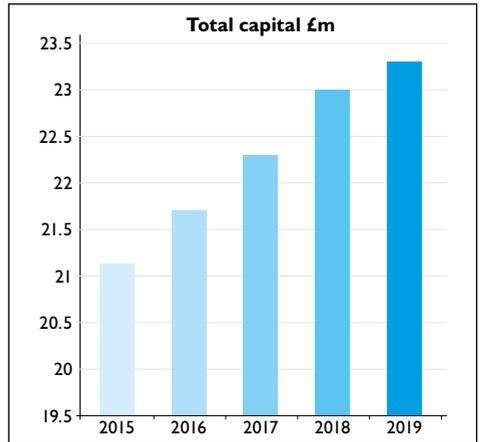
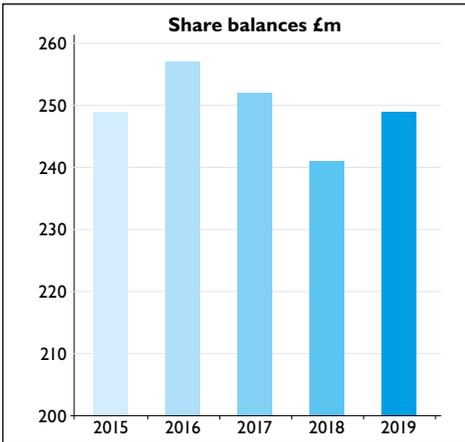
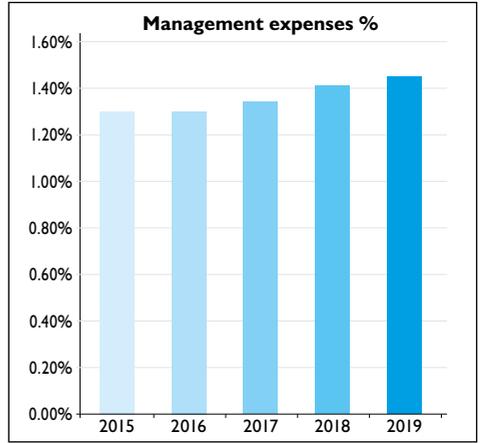
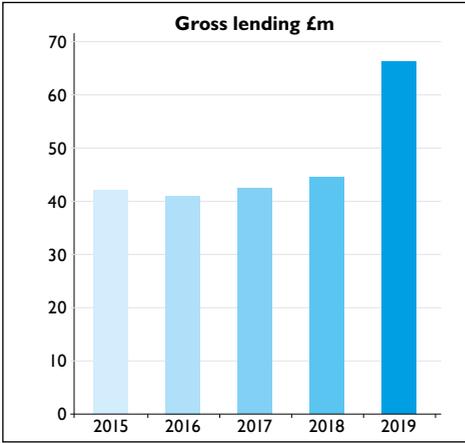
As a mutual building society we're owned by our customers – our savers and borrowers. To us you're more than a customer; you're a member and an individual.

Unlike banks, being a mutual business means we don't have shareholders or dividends to pay. The low interest rate economic environment continues to make it difficult for the Society to grow its profits whilst recognising the needs of savers who have had low market rates for many years. The Society strives to strike a balance between these competing demands in order to enable future investment in new services and expertise.

The Board manages the Society and oversees the agreed strategy using a variety of performance and control reports, including the use of key performance indicators. The graphs show progress over the last five years across a number of key indicators. The calculation of each of the key performance indicators is explained on page 7.



# Key Performance Indicators



## **TOTAL ASSETS**

This shows the growth in total assets of the Society as reported within the Summary Financial Statement on page 13.

## **MORTGAGE ASSETS**

This shows the net change in the Society lending book after impairment provisions and after fair value adjustments. This figure is reported on the Statement of Financial Position as loans and Advances to Customers.

## **LIQUID ASSETS**

Liquid assets is the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities, as disclosed on the Statement of Financial Position.

## **GROSS LENDING**

This figure shows the total amount of mortgage lending each year prior to repayments, redemptions and other movements.

## **SHARE BALANCES**

This represents the total deposited by individuals with the Society at the end of each financial year. It is reported on the Statement of Financial Position as Shares.

## **TOTAL CAPITAL**

Capital is a measure of financial strength, of an entity's ability to absorb future operational losses if and when they arise, and of its ability to support future growth. This is represented on the Statement of Financial Position by the General reserve and the Available-for-sale reserve and primarily comprises capital from retained profits.

## **PROFIT BEFORE TAX**

Profit after tax is the net amount earned after taking into account all expenses but before tax charges.

## **NET INTEREST MARGIN**

This ratio expresses the interest received from loans and liquid assets, minus the interest paid on financial liabilities (principally share accounts, but also deposits by market counterparties) as a percentage of average financial assets.

## **MANAGEMENT EXPENSES %**

This ratio is the total of administrative expenses, depreciation and amortisation, expressed as a percentage of the simple average of total assets at the beginning and end of the financial year. It assists the Board in understanding the relationship between profitability and the size of the balance sheet.

# Summary Financial Statement

The Financial Statement is a summary of information in the audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors, free of charge on demand, at every office of Loughborough Building Society from 31 January 2020.

Approved by the Board of Directors on 22 January 2020 and signed on its behalf by:

D.T. Bowyer	Chair of the Board
H.E. Sachdev	Chair of Audit and Compliance Committee
G. Brebner	Chief Executive

## Summary Directors' Report

The Directors are pleased to present the Summary Financial Statement of Loughborough Building Society for the year ended 31 October 2019.

## Business Objectives and Activities

The principal business activity of the Society is the provision of long term residential mortgages to borrowers, financed by personal savings from members, in keeping with traditional Building Society principles and values.

The business objectives are to promote savings and home ownership, primarily in the East Midlands, through a competitive interest rate structure on a variety of straightforward products, combined with high levels of personal service, to meet the needs of our members and safeguard their interests.

## Business Review

The Society has delivered strong mortgage asset growth in the face of another year of intense competition. The prolonged uncertainty over how the UK will exit the EU has created volatility in the financial markets. Monetary policy has also played its part both in lending and savers markets with protracted periods of low interest rates and central Bank funding schemes continuing through the year. Government policy too has impacted UK lending markets; the changes to Buy to Let regulations have clearly cooled that market for mortgaged properties and Help to Buy has skewed pricing for new properties aimed at First Time Buyers.

Economic forecasting has become extremely uncertain as it is difficult to predict how the UK economy will perform given the number of possible exit scenarios. The reduction in base rates in August 2016 led to a compression of mortgage prices from which they have not recovered. Lending markets are further under stress from low transaction volumes. LIBOR volumes are low and consequently have suppressed swap contracts meaning that five year and longer fixed offers have become cheaper.

In spite of the economic uncertainty, and of strong competition within the lending market, the Society saw an excellent outcome in its lending business, with gross lending in the year increasing by 49% to £66.2m (2018: £44.5m); and the mortgage book grew by 12% in the year to £255m. As a result of this growth, mortgage interest also increased by 7% in the year.

This strong performance has built on the groundwork of 2018 when the Society re-entered the broker market, with around half of the new business generated in the year being sourced through that channel. This is also the result of the Society focus on delivering good quality mortgage products with high standards of underwriting. Mortgage products and pricing are reviewed regularly in the light of customer response and market conditions.

## Summary Financial Statement

On the other side of the balance sheet, many lenders including the Society have benefited from low cost funding from the Bank of England. As this period comes to an end the Society has seen its funding cost starting to increase, with total interest payable being 12.5% higher than in the previous year.

Part of this cost represents the interest received by our savers, which is also affected by the low rates available in the market. As a mutual society, we seek to provide a competitive range of savings products and a secure home for savers' funds; however the Society cannot disregard market conditions, and is very much aware of the impact that the prolonged period of low interest rates has had upon our saving members.

Profit before tax of £454,000 is down by £363,000 on the previous year. There are two significant factors impacting the profit reduction. Immediately prior to finalising the financial statements, the Society became aware of an administrative error relating to the legal charge on one of its residential mortgage loans in the amount of £193,000. The resolution of this matter is likely to take several months and, as the property concerned was in possession, the Society has therefore taken the prudent approach of providing for the position in full in these accounts. The other matter relates to movements in the valuations of derivative financial instruments held by the Society for risk management purposes. The Society uses these instruments to manage its exposure to changes in interest rates arising from fixed rate mortgage lending and fixed rate retail savings products. Accounting standards require the Society to report these instruments at 'fair value' at the year end.

Fair values are driven by market expectations, and can and do vary over time. As a result of the Brexit uncertainty volatility in the financial markets has been pronounced, and 2019 has given a loss of £80,000 while 2018 reported a gain of £56,000 - a swing in fair values of £136,000. These gains and losses would only be realised if the Society chose to close out the derivatives before they reach maturity; otherwise the movements will reverse over the derivatives' remaining lives, giving no impact on profit over time. It is the Society's policy to hold these instruments to maturity.

The Society's most significant costs are for staff resources, which comprise 54% of administrative expenses. Non-staff costs have increased by £178,000 across the year, while staff costs have increased by £86,000. This reflects market conditions in recruiting and retaining staff, as well as a significant increase in recruitment costs. As a result, the management expense ratio per £100 of mean assets (which also includes depreciation and amortisation) has increased to 1.45% (2018: 1.41%).

Arrears continue to be at low levels and the provision for losses and impairment remains static at £1.1m. Excluding the additional provision taken in respect of the legal charge noted above, provisions had reduced to £0.9m. This reflects a crystallisation of losses of £0.3m which were provided for in previous years. The Society is mindful of the increased financial burden which may arise for borrowers as interest rates start to increase. Borrowers who do experience difficulty are offered appropriate support at an early stage.

The Society continues to serve members through the branch network in Loughborough, Derby and Long Eaton and through its agency outlet in Southwell. The Society has made a number of positive changes to accounts this year including ISA accounts and fixed rate bonds. As a result, overall savers' balances increased during the year to £248.7m (2018: £241.7m).

## Summary Financial Statement

The Society's net profit for the year of £362,000 (2018: £657,000) was transferred to general reserves. The Society continues to report capital growth and at 31 October 2019 total capital stood at £23.3m (2018: £23.0m).

The Society holds liquid assets which can be readily realised when required so that it can meet its financial obligations as they fall due. The Society's liquid assets are held principally in high quality assets, and mainly in the form of cash and government debt. The Society has reduced its liquidity during the year as planned, however the year end balance of £59m remains well above the Board's internal assessment of its minimum requirements.

The Society's business model remains straightforward and it has plans to continue to grow. Through growth and the careful management of costs it will improve its profitability using the capital generated to make strategic investments to support a customer acquisition and retention strategy. All the planned developments are consistent with the values and purpose of the Society and to remain attractive to its loyal and investing members.

This is in the context of a UK economy which is likely to remain uncertain until the details of 'Brexit' have been resolved. The Society continues to monitor the economic environment for possible impacts on its strategy.

### Principal Risks and Uncertainties

Building societies operate in a highly competitive and regulated market with significant uncertainties arising from the general economic environment, in particular the demand for borrowing and the availability of funding. Interest rates remain at historic low levels and there is a risk of volatility in the financial markets with continued uncertainty around Brexit.

The Society has a cautious approach to its risk appetite which helps to protect members' interests and reduce exposure to the risks and uncertainties facing the business. Processes, policies and controls are in place to reduce these risks to acceptable levels.

All major areas of risk are reviewed by the Risk Committee and, where appropriate, other Board committees as detailed in the Annual Report and Accounts. The Society maintains a comprehensive risk register, sets a risk appetite target against each risk identified, and takes actions and implements controls until the level of residual risk is acceptable. Progress is also monitored through the Risk Committee.

Many of the risks faced are those associated with any business striving to prosper in a competitive market, including margin pressures, regulatory, compliance and statutory developments.

The principal business risks to which the Society is exposed are outlined below. In addition, the Society is mindful of the risks associated with the potential adverse effects of a disorderly Brexit, and that any consequent economic downturn, disruption to financial markets or political instability could have an impact on its business model. The Society does not consider this to be a principal business risk in its own right, but that it could be a trigger for other risks, particularly credit risk, interest rate risk and liquidity risk. The Society has stress tested its Business Plan for this risk, and considers that it has appropriate management control processes and sufficient capital and liquidity resources to allow it to withstand such impacts.

The principal business risks to which the Society is exposed are considered to be:

- **Credit Risk**, this relates to the risk that mortgage customers or treasury counterparties, to whom the Society has lent money, may default on their obligation to pay.

- **Interest Rate Risk**, this is the risk that income or expenditure, arising from the Society's assets or liabilities, varies as a result of changes in interest rates.
- **Liquidity Risk**, this relates to the Society's ability to meet its financial obligations as they fall due.
- **Operational Risk**, this is the risk of a loss arising from inadequate or failed internal processes or systems, human error, key supplier failure or external events including cyber risks.
- **Regulatory Risk**, this is the risk that the volume and complexity of regulatory requirements and related costs reduce the Society's capital and ability to compete over a period of time.
- **Conduct Risk**, this is the risk that the Society does not treat its customers fairly and provides inappropriate products for customers.
- **Strategic Risk**, this is the risk of the Society entering unprofitable markets or offering unprofitable products. The Board has a strategic duty to ensure that the Society makes an adequate amount of profit to maintain capital ratios at a level sufficient to provide long term financial strength and stability for all members.
- **Concentration Risk**, this is the risk of loss due to a large individual or connected exposure that could be affected by common factors including geographical location. The Board sets limits for maximum exposures to both borrowers and treasury counterparties.
- **Reputational Risk**, as a deposit taking institution, it is essential that the Society safeguards its members' funds and ensures that events do not arise which could damage our reputation and lead to a loss of public confidence.

The management of risk and strategic direction are key activities for the success of the business. The Board of Directors, aided by a number of committees, is responsible for ensuring that an up to date and effective risk management structure is in place covering all aspects of the business.

## Corporate Governance

The Board is committed to good practice in corporate governance and supports the principles of the Corporate Governance Code 2016 insofar as they apply to a building society.

For a number of years, the Society has encouraged members to vote by linking the number of votes cast to a donation to a charity. The Society will donate 20 pence per postal vote and 50 pence per on-line vote, up to a maximum of £1,000.

Board Directors are present at the AGM unless there are exceptional circumstances that prevent attendance. Board Directors are available to meet with members both before and after the meeting and to answer questions on both a formal and informal basis.

## Regulation

The Society is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

## Directors

The following served as Directors during the year and up to the date of signing this report:

### Non-Executive Directors

D.T. Bowyer FCA  
Chair of the Board

D.C. Huntley BA, FIA  
Senior Independent Director (until 31 October 2019)

I.J. Webb BSc, MCIM  
Retired 31 December 2018

M.W. Parrott FCPFA  
Retired 31 May 2019

J.E. Pilcher ACIB, FCT

# Summary Financial Statement

H.E. Sachdev FCMA  
Deputy Chair of the Board

R. L. Curtis-Bowen  
Appointed 1 December 2018

R. W. Barlow BA, FCA  
Appointed 1 March 2019  
(Senior Independent Director from 1 November 2019)

## Executive Directors

G. Brebner BSc, ACA  
Chief Executive

C. Joyce BA, ACIB  
Operations Director

S.J. Jeffries LLB, FCA  
Finance Director – resigned 12 April 2019

Michael Parrott retired earlier in the year after over four years on the Board. Stephen Jeffries left after over seven years with the Society to pursue other opportunities. The Board would like to record their appreciation to both Michael and Stephen for their contributions to the Society.

Following Stephen Jeffries' departure, Paul Gittins was appointed as Interim Finance Director while the Society continues recruitment for the role of Finance Director. Paul is a highly experienced financial services Interim Finance Director who has worked with a number of other banks and building societies in similar roles. Although he attends Board meetings, Paul is not a member of the Board.

David Huntley served as Deputy Chair until 1 October 2019 after which this role was taken by Helen Sachdev.

David Huntley and Jane Pilcher will offer themselves for re-election and Roger Barlow for election, at the forthcoming Annual General Meeting.

The role of the Non-Executive Director is vital to the governance of the Society and comes with increasing time demands and regulatory expectations, which have again been met with dedication and commitment by all Board members.

## Donations

There were no donations for political purposes.

## Auditor

Deloitte LLP has signified their willingness to continue in office and therefore a resolution for their re-appointment will be proposed to the Society's forthcoming Annual General Meeting.

## Management and Staff

The Directors would like to record their appreciation for the loyalty and dedication of the management and staff and their commitment to the Society throughout another challenging year. A programme of staff training has continued during the year, enabling staff to continue to develop relevant skills and maintain the excellent level of customer service expected by all our members.

Thanks are also due to all our members and professional contacts for their continued support.

## On behalf of the Board

**David Bowyer, Chair of the Board**  
22 January 2020

## Summary Financial Statement

	2019	2018
	£000	£000
<b>Results for the year</b>		
Net interest receivable	5,355	5,103
Other income and charges	(115)	19
Administrative expenses	(4,492)	(4,207)
Provisions – for mortgage losses	(279)	(136)
Provisions – FSCS levy	(15)	38
Profit for the year before taxation	454	817
Taxation	(92)	(160)
<b>Profit for the year</b>	<b>362</b>	<b>657</b>

### Financial position at end of the year

#### Assets

Liquid assets	59,046	70,254
Loans and advances to customers	255,464	228,417
Derivative financial instruments	43	196
Fixed and other assets	3,299	2,933
<b>Total assets</b>	<b>317,852</b>	<b>301,800</b>

#### Liabilities

Shares	248,647	241,710
Borrowings	44,190	35,962
Derivative financial instruments	831	98
Other liabilities	827	1,021
Provisions for liabilities – FSCS levy	10	-
Reserves	23,347	23,009
<b>Total liabilities</b>	<b>317,852</b>	<b>301,800</b>

	2019	2018
	%	%
Gross capital as a percentage of shares and borrowings	7.97	8.29
Liquid assets as a percentage of shares and borrowings	20.16	25.30
Profit the financial year as a percentage of mean total assets	0.12	0.22
Management expenses as a percentage of mean total assets	1.45	1.41

# Independent auditor's statement to the members and depositors of The Loughborough Building Society

We have examined the summary financial statement for the year ended 31 October 2019 which comprises the summary Income Statement and Statement of Financial Position 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 financial statements, 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 Business Review and Summary Financial Statement with the annual financial statements, 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 Business Review and 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 "The auditor's statement on the summary financial statement in the United Kingdom" issued by the Auditing Practices Board. Our report on the Society's full financial statements describes the basis of our audit opinion on those financial statements.

## **Opinion on summary financial statement**

In our opinion the summary financial statement is consistent with the full financial statements, the Annual Business Statement and Directors' Report of The Loughborough Building Society for the year ended 31 October 2019 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

**Deloitte LLP**  
**Statutory Auditor**  
**Birmingham, United Kingdom**  
**22 January 2020**

# Directors' Remuneration Report

The purpose of this report is to inform members, in line with good corporate governance practice, of the policy for the remuneration of the Society's Executive Management and its Non-Executive Directors. It provides details of the elements of Directors' remuneration and explains the process for setting them.

An advisory resolution will be put to this year's Annual General Meeting, inviting members to vote on the Directors' Remuneration Report.

## Policy

The Staff and Remuneration Committee reviews and recommends the policy and practice on the remuneration of Executive Directors and senior management group to the Board. The Committee takes into account relevant factors from the UK Corporate Governance Code and the Society complies with the relevant and applicable aspects of the FCA Remuneration Code.

The policy is designed to ensure that senior executive remuneration reflects performance and allows the Society to attract, motivate and retain high calibre, qualified executives. These executives are required to have the skills and experience needed to lead a business of this nature and complexity and develop it for the long term benefit of our members, in an increasingly regulated and competitive market. In setting reward structures, the policy is to encourage continuous improved performance without undue risk taking.

In order to achieve this, the Committee seeks to ensure that remuneration levels are fair and competitive, reflecting market comparatives from similar financial institutions and each individual's personal development and contribution to the Society's performance.

The members of the Staff and Remuneration Committee are included in the Society's Annual Report and Accounts. Meetings of the Committee are also attended by the Chief Executive, as appropriate. The Chief Executive withdraws from the meeting when his own remuneration and benefits are considered.

The Chief Executive assesses individual performance of the other Executive Directors against specific corporate and individual objectives and makes recommendations to the Staff and Remuneration Committee.

## Executive Directors' Remuneration

Remuneration of the Society's Executive Directors can be comprised of a number of elements: basic salary, annual and medium term incentive schemes, contributions to pension schemes and other benefits.

Where performance related pay is agreed, targets and measures are set at levels to incentivise exceeding the planned performance of the Society either in the short or medium term. Payments are therefore only made when the agreed measures have been at least met. All schemes have a maximum amount they could pay if the upper most measures were all met or exceeded. Failure to meet the performance measures set would result in no performance related payment being made.

## Chair of the Board and Non-Executive Director fees

The remuneration of the Chair is set by the Board at a meeting without them being present. The remuneration of the remaining Non-Executive Directors is set by the Chief Executive and Chair of the Board. Such levels of remuneration are set having considered the level of time commitment and responsibilities required for Board, Board Committee and other duties.

## Salary

Basic salaries are paid at an appropriate level to take account of job content and responsibilities, external market competitiveness and individual performance in the role.

## Annual Performance Pay

This is an incentive scheme that provides non-pensionable rewards for the Executive Directors directly linked to the achievement of key performance targets in the year as determined by the Society's Board. Performance targets are reviewed and approved annually, by the Staff and Remuneration Committee, to ensure they are aligned to business priorities. The overall objective is to improve Society performance across a number of key financial indicators such as lending and mortgage growth whilst maintaining the financial strength of the Society for the long term benefit of its members. The maximum possible figure was set at 14.0% of basic salary (2017/18: 14.0%); the amount payable for 2018/19 is 14.0% (2017/18: 2.2%). Payment of the 2018/19 awards has been deferred until there is certainty of the outcome of the event referred to in the business review.

## Medium Term Incentives

The Executive Directors have been invited to participate in a non-pensionable, performance related medium term incentive scheme which is payable on achievement of certain financial performance indicators and personal objectives. Performance is based on net mortgage lending over a 3 year period to 31 October 2020. Payment is not guaranteed and is subject to meeting a pre-tax profit test solely at the end of the third year of the scheme. The mortgage asset growth achieved for the year to 31 October 2019 met the notional 2019 interim performance indicators. However no payments are accrued or due to the Executives under this scheme until after the audited results have been finalised for 31 October 2020.

## Pension Benefits

The Society operates a contributory money purchase scheme and makes contributions for all qualifying staff, including the Executive Directors.

## Other Benefits

The Society provides other taxable benefits to Executive Directors comprising a car, or car allowance and health care provision.

The Society also operates a death in service scheme for all employees. The scheme provides a lump sum of four times basic salary in the event of death in service.

## Service Contracts

All Executive Directors are employed on service contracts, which can be terminated by the Society following a maximum of 12 months' notice and by the individual Executive Directors on 12 months' notice.

# Directors' Remuneration Report

## Directors' Remuneration

### Executive Directors (audited information)

2019	Salary £000	Annual Performance Pay £000	Pension Contributions £000	Benefits £000	TOTAL £000
G. Brebner	150	21	32	11	214
C. Joyce	101	14	14	13	142
S. J. Jeffries <sup>1</sup>	49	-	6	3	58
<b>TOTALS</b>	<b>300</b>	<b>35</b>	<b>52</b>	<b>27</b>	<b>414</b>

2018	Salary £000	Annual Performance Pay £000	Pension Contributions £000	Benefits £000	TOTAL £000
G. Brebner	144	3	31	11	189
C. Joyce	99	2	13	12	126
S.J. Jeffries	104	2	12	7	125
<b>TOTALS</b>	<b>347</b>	<b>7</b>	<b>56</b>	<b>30</b>	<b>440</b>

<sup>1</sup> Mr Jeffries resigned from the Board on 12 April 2019

# Directors' Remuneration Report

## Non-Executive Directors' Remuneration

Non-Executive Directors are remunerated solely by fees. They do not have service contracts and they do not receive any salary, pension, incentives or other taxable benefits. The Board's policy is to review the fees annually. The fees paid reflect the responsibility undertaken and the time spent on Society affairs including membership of Board committees. Secondly fees are set to ensure the Society can continue to attract new Non-Executive Directors with suitable expertise to serve on the Board and its Committees.

## Non-Executive Directors (audited information)

	At 31 October 2019	At 31 October 2018	2019 Fees £000	2018 Fees £000
D.T. Bowyer	Chair of the Board	Chair of the Board	42	41
I.J. Webb <sup>1</sup>	-	Deputy Chair of the Board	4	27
D.C. Huntley	Senior Independent Director	Senior Independent Director	31	28
M.W. Parrott <sup>2</sup>	-	-	14	27
J.E. Pilcher	Chair of Risk Committee	Chair of Risk Committee	31	30
H.E. Sachdev	Deputy Chair of the Board, Chair of Audit and Compliance Committee	Chair of Audit and Compliance Committee	31	27
R.L. Curtis-Bowen <sup>3</sup>	-	-	22	-
R.W. Barlow <sup>4</sup>	-	-	17	-
<b>TOTALS</b>			<b>192</b>	<b>180</b>

<sup>1</sup> I.J. Webb resigned from the Board on 31 December 2018

<sup>2</sup> M.W. Parrott resigned from the Board on 31 May 2019

<sup>3</sup> R.L. Curtis-Bowen joined the board on 1 December 2018

<sup>4</sup> R.W. Barlow joined the board on 1 March 2019

David Huntley,  
Chair of Staff and Remuneration Committee  
22 January 2020

# Notice of Annual General Meeting

Notice is hereby given that the 152nd Annual General Meeting of the Loughborough Building Society will be held on Friday 28 February 2020 at 10.30am at the Ramada Hotel, 22 High Street, Loughborough, LE11 2QL for the following purposes:

To receive the Auditor's Report.

## Ordinary Resolutions

1. To receive the Directors' Report, Annual Report and Accounts and Annual Business Statement for the year ended 31 October 2019.
2. To approve the Directors' Remuneration Report for the year ended 31 October 2019.
3. To re-appoint Deloitte LLP as Auditor of the Society to hold office until the conclusion of the next Annual General Meeting.

## Election and re-election of Directors

4. To consider and, if thought fit, elect or re-elect the following as Directors:
  - (a) To elect ROGER WILLIAM BARLOW
  - (b) To re-elect DAVID CHARLES HUNTLEY
  - (c) To re-elect JANE ELIZABETH PILCHER

## By order of the Board

**Gary Brebner, Chief Executive and Secretary**  
22 January 2020

## NOTES

1. These Notes form part of the Notice of Annual General Meeting.
2. Under the Society's Rules a member entitled to attend the Meeting and vote may appoint one 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. A poll is a formal vote which may take place after an initial vote by a show of hands. Your proxy may not speak at the Meeting, except to demand or to join in demanding a poll.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the proxy voting form.
4. The voting date is 5pm on Tuesday 25 February 2020 if you are voting by proxy or voting online, or Friday 28 February 2020 if you wish to vote in person at the Annual General Meeting.
5. In order to attend and vote at the Meeting, or appoint a proxy, you must qualify as eligible to vote. You are eligible to vote if:
  - (a) You will be aged 18 or over on 28 February 2020; and
  - (b) You owed at least £100 on a mortgage with the Loughborough Building Society or you held at least £100 in savings accounts with the Loughborough Building Society on 31 October 2019; and
  - (c) You will continue to owe at least £100 on a mortgage to the Society or hold savings with the Society from 31 October 2019 up to and including the voting date, 28 February 2020.Where a mortgage debt is owed jointly by two or more persons or savings are held jointly by two or more persons, only the first named in the records of the Society can have any voting rights.

## Notice of Annual General Meeting

6. You can vote only once as a member, irrespective of:
- (a) the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee); and
  - (b) whether you qualify to vote as both a shareholding member and a borrowing member.

**If you receive more than one proxy voting form, please let us know so that we can update our records.**

7. 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.**



### **Roger Barlow**

Roger joined the Board in March 2019. He is a Chartered Accountant and former partner with KPMG.

He holds a number of Non-Executive Directorships including a challenger Bank and an AIM listed company and was previously a Non-Executive Director of a northern Building Society.

Roger is married with two grown up children and an active grandson. He enjoys skiing, overseas travel and family time.

*"I was delighted to be appointed a Non-Executive Director of the Loughborough in March 2019 and am now seeking election. The Loughborough has traditional values with a forward-thinking strategy to serve all members - I look forward to bringing my skills and experience of financial services to achieve that strategy".*



### **David Huntley**

David joined the Board in October 2016. A qualified Actuary, he brings over 25 years' experience in Insurance and Reinsurance having held a number of senior management positions both in the UK and globally.

He now operates as an Executive Business Coach working with senior leaders across a wide range of industry sectors as well as holding a number of other Non-Executive directorships.

In his spare time, David is a keen cyclist and plays keyboards in an ageing Dad's band.

*"It has been an honour to have served on the Board of The Loughborough for the past three years and, subject to your support, I look forward to continuing to play my part in ensuring the ongoing success of the Society. We live in times of doubt and uncertainty about our future- the only given is that it will continue to be highly challenging. In that regard, I am confident that the staff, Executive and Board remain dedicated to keeping the interests of you, our Members, at the forefront of our minds."*



### **Jane Pilcher**

Jane joined the Board in May 2016 following ten years as a Non-Executive Director at the Cambridge Building Society. She is also Group Treasurer at Anglian Water Group and a Fellow of the Association of Corporate Treasurers. Jane brings expertise in key issues such as treasury strategy, derivatives and management of liquidity. Prior to her career as a Group Treasurer, Jane was involved in corporate banking in the City of London and is a member of the Chartered Institute of Bankers.

She enjoys overseas travel, gardening, family time and walking her two dogs.

*"It has been an honour to serve on the Board as a Non-Executive Director and Chair of the Risk Committee. I look forward to supporting the Society as it deals with the economic challenges that the current political uncertainty is bringing to all of us and to ensuring that it continues to manage its finances prudently in doing the right thing for our members".*

## Your vote counts

As a member of Loughborough Building Society we'd like to know your views on how your Society is being run. Voting in the AGM is one way in which you can let us know how you feel – so please take the time to use your vote.

For each vote cast the Society will make a donation to one of three local charitable organisations whose focus is providing accommodation and ancillary services for those most in need.

We will make a donation of 50p for every vote cast online and 20p for votes received by post, in branch or at the AGM. If you would prefer us not to donate then you can opt out.

### How to vote

You can vote:

#### ONLINE

Vote by 5pm on Tuesday 25 February 2020 at [www.cesvotes.com/loughborough20](http://www.cesvotes.com/loughborough20)

#### BY POST

Post your voting form to arrive no later than 5pm on Tuesday 25 February 2020.

#### IN BRANCH OR AGENCY

Drop your voting form into the ballot box at your local branch or agency by close of business on Tuesday 25 February 2020.

#### IN PERSON

Join us at the AGM on Friday 28 February 2020 which starts at 10.30am at the Ramada Hotel, 22 High Street, Loughborough, LE11 2QL.

## Important information for members

### Financial Services Compensation Scheme

Your eligible deposits with Loughborough Building Society are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme.

For further information please call us on 01509 610707, ask at your local branch or visit the FSCS website [www.fscs.org.uk](http://www.fscs.org.uk).

### Tariff of charges from 1 March 2020

Loughborough Building Society provides this information so that you understand the fees and charges that you might have to pay whilst you are a customer of the Society. These charges may change from time to time, but we will give you at least 30 days' if we introduce or increase a charge. If the Society makes a charge for any service outside of this Tariff, you will be advised at the time the service is offered to you.

The Tariff of Charges does not include charges for taking out a new mortgage or a further advance. You will be informed of any costs associated with a new mortgage or further advance in the Personal Illustration of Costs and for commercial mortgages in your Terms and Conditions Letter which will be prepared for you before you make your application. We will provide you with an updated Tariff each year and you can also ask us for a copy or view it on the Society's website at [www.theloughborough.co.uk](http://www.theloughborough.co.uk) in the Helpful Information section at any time.

### If you need additional documentation relating to your mortgage

Name of charge	What this charge is for	How much is the charge
<i>Duplicate mortgage statement or a schedule of mortgage payments (interim statement of account for the current year)</i>	If you need us to prepare and supply a list of your mortgage account transactions for the current year or provide a copy of a previous mortgage statement. This charge relates to each year we are asked to provide information for.	<b>£25</b>
<i>Duplicate request for MIRAS 5 (tax certificate)</i>	If you need us to provide a copy of a previously issued certificate of interest paid. This charge relates to each year we are asked to provide information for.	<b>£25</b>
<i>Copy of deeds</i>	If you need us to provide a copy of your deeds.	<b>£25</b>
<i>Mortgage reference/second charge questionnaire</i>	If another lender asks us for a mortgage reference confirming how you have managed your mortgage account with us. This will only be supplied with your permission.	<b>£75</b>
<i>Consent, postponement or discharge of a second charge</i>	If you ask us to consider and give agreement to secure other borrowing against your property; or you ask us to prepare and seal a Deed of Postponement; or you ask us to work with another lender to release funds to repay their second charge.	<b>£75</b>

## If you change your mortgage

Name of charge	What this charge is for	How much is the charge
<i>Change of repayment type and/or term</i>	If you extend or reduce the remaining term and/or change your mortgage repayment type on all or part of your mortgage.	£50
<i>Variation of/ or change to title</i>	If you want to remove part of the property or land from the mortgage. It covers administration costs, including sealing the relevant legal deed and issuing letters of consent. We may need to instruct a revaluation of your property for which there will be an additional fee.	£100
<i>Release of guarantor and/ or release or change of collateral security</i>	If you want to release the guarantor from your account and/or release or change the collateral security we hold for your mortgage account, we will need to reassess your circumstances. We will require you to pay this fee when you make your application. We may need to instruct a valuation for which there will be an additional fee.	£100
<i>Deeds release fee</i>	If you ask us to release your deeds to your solicitor.	£35
<i>Deeds discharge/sealing fee</i>	If you repay your mortgage and we seal your deeds and/ or release our charge. This fee is waived if you repay on expiry of your mortgage term or you take out a new mortgage with the Society.	£85

## If you are unable to pay your mortgage

Name of charge	What this charge is for	How much is the charge
<i>Unpaid cheque / direct debit</i>	If you make a payment to your mortgage account and there are insufficient funds in your account to meet this payment, we will debit your mortgage account with this fee.	<b>£20</b>
<i>Arrears letter</i>	If your mortgage goes into arrears we will write to you to let you know. We do not charge for the first letter but we will charge this fee for any subsequent arrears letters that we have to send you.	<b>£30</b>
<i>Broken arrangement fee</i>	If you make an arrangement with us to repay your arrears and then break it.	<b>£30</b>
<i>Unpaid ground rent/service charge fee</i>	If you have a leasehold property, this is the charge to cover our administration costs if your freeholder or management company approaches us to pay ground rent or service charge on your behalf in order to prevent forfeiture of lease. If we do agree to pay any such outstanding amount this will be added to your mortgage.	<b>£75</b>
<i>Arrears visit</i>	If your account is more than two months in arrears and we've been unable to contact you, then we or a Field Agent acting on our behalf will visit your home. This allows us to assess your circumstances and work out a suitable arrangement. This is the maximum fee you could be charged.	<b>£120</b>
<i>Instruction of solicitors</i>	If we instruct solicitors to collect arrears or to start possession proceedings this fee will be debited to your mortgage account.	<b>£100</b>
<i>Instruction/cancellation of bailiff appointment</i>	If we instruct a bailiff to take possession or have to cancel a bailiff appointment.	<b>£25</b>
<i>Possession fee</i>	The administration costs to cover the extra work we have to do to manage a possession case.	
	Residential properties	<b>£300</b>
	Let properties	<b>£300</b>
	Commercial properties	<b>£500</b>
	Second charges	<b>£150</b>

### Tariff of Savings Charges

We will provide you with a Tariff when you open an account and you can also ask us for a copy or view it on the Society's website at [www.theloughborough.co.uk](http://www.theloughborough.co.uk) at any time.

Name of charge	What this charge is for	How much is the charge
<i>Telegraphic transfers (UK)</i>	If you need us to arrange a telegraphic transfer of funds from your savings account to another bank.	<b>£30</b>
<i>Telegraphic transfers (International)</i>	If you need us to arrange a telegraphic transfer of funds from your savings account to another bank.	<b>£30 + Bank Charges</b>
<i>Unpaid cheque</i>	If you pay a cheque into your savings account and there are insufficient funds in your account to meet this payment, we will charge your savings account with this fee.	<b>£20</b>
<i>Stopped cheque</i>	If you need to stop a cheque which is drawn from your savings account, we will charge your account with this fee.	<b>£20</b>
<i>Duplicate interest certificate</i>	If you need us to provide a previously issued interest certificate, we will charge your account with this fee for each account and for each year we are asked to provide a certificate.	<b>£15</b>
<i>Duplicate postal account statement</i>	If you need us to provide a previously issued account statement, we will charge your account with this fee for each account and for each year we are asked to provide a statement.	<b>£25</b>
<i>Audit / Accountants / Solicitors letter</i>	If you need us to provide specific information about your savings accounts to an Auditor, your Accountant or Solicitor.	<b>£35</b>
<i>Breakdown of transactions relating to passbook accounts</i>	If you require analysis of transactions this fee covers the administration cost of carrying out this work to provide a response. This charge relates to each year we are asked to provide information for.	<b>£20</b>

The logo for The Loughborough Building Society features the company name in white text on a dark blue background. To the right of the text is a vertical bar with four colored segments: light blue, green, pink, and yellow.

## The Loughborough Building Society

### Head Office

6 High Street, Loughborough, Leicestershire LE11 2QB.

Tel: (01509) 610707 | Email: [enquiries@theloughborough.co.uk](mailto:enquiries@theloughborough.co.uk)

### Branch Offices

4 High Street, Loughborough, Leicestershire LE11 2PY.

Tel: (01509) 610600 | Email: [lboro@theloughborough.co.uk](mailto:lboro@theloughborough.co.uk)

1/2 Babington Lane, Derby DE1 1SU.

Tel: (01332) 290818 | Email: [derby@theloughborough.co.uk](mailto:derby@theloughborough.co.uk)

5 Market Place, Long Eaton, Nottingham NG10 1JL.

Tel: (0115) 9728088 | Email: [longeaton@theloughborough.co.uk](mailto:longeaton@theloughborough.co.uk)

### Agency Offices

Gascoines Estate Agents, 1 Church Street, Southwell, Nottinghamshire NG25 0HQ.

Tel: (01636) 815349 | Email: [southwell@theloughborough.co.uk](mailto:southwell@theloughborough.co.uk)

**website: [www.theloughborough.co.uk](http://www.theloughborough.co.uk)**

**Registered office: 6 High Street, Loughborough, Leicestershire LE11 2QB**

The Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Financial Services Register number: 157258.

Established 1867