



Business Review and Summary Financial Statement

**For the year ended 31 October 2022
including Notice of Annual General Meeting**

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Results Year ended 31 October 2022



I'm pleased to present the Society results for year ended 31 October 2022. The AGM notice is contained later in this summary and I would encourage you to read it and vote preferably online. If we

don't have it, please provide your email address so we can send you this and other Society documents electronically. It helps save money and paper and is more environmentally friendly.

The Society has had another good trading year. Gross lending reached £99m and reflects the hard work of many to achieve that. In 2021 much of the market buoyancy was caused by the stamp duty holiday and so this year's gross lending represents a good result and when combined with good customer retention has taken gross mortgage assets to a new high of £375m up from £334m last year. The scale of fair value hedging adjustments which are set against mortgage balances is significant this year rising from £1.6m to £9.9m. These are in part accentuated by market volatility surrounding the Truss premiership and are still present in market conditions at the year end.

In the period December 2021 to November 2022, base rates have risen by 2.9% to 3%. That has improved interest receivable on swap derivatives and cash-based liquidity and increased mortgage rates on new business. In the same period the Society has only moved its SVR by 0.55%. This helps those struggling with rising costs elsewhere in their household budgets. Further increases in SVR are likely as base rates climb as the increased costs cannot be absorbed by the Society and it affords better returns for our savers.

The frequency of base rate changes in the year has kept all the product teams busy as the average

product shelf life has considerably shortened. Savers rates have been increased several times in the year and have been applied to existing accounts not just new offers. Although we have not yet seen any increase in homeowners requesting support from the Society we recognise harder times are ahead and have created a cost of living support hub on our website.

Record mortgage assets have led to a £1m increase in mortgage interest income. Set against this planned changes to IT platforms and purchase of a new Head Office has increased asset write downs in the year which form a good part of the increases to management expenses. Pre-tax profits are up by £0.7m to £1.7m which includes fair value hedging gains as a result of the market changes described earlier. These gains can reverse.

Members should take comfort from the underlying strength of the business performance across recent years including this one. This can be seen in the financial highlights for 2022 below:

- Gross mortgage balances up 12% to £375m, a new high
- Record assets of £450m, up 12%
- Share balances reached a new record of £350m up 7%
- Pre-tax profits are £1.7m increasing reserves to nearly £26m a rise of over £1m

The Society continues to strike a balance between growing the business, providing a reasonable return to saving members and making investments in new services and expertise.

During the year we continued to investigate new technologies to support the provision of a range of relevant digital services to our members. They aim to make your lives easier and provide access when we would normally be closed. This investment in digital technology remains a business imperative.

We place significant emphasis on preserving the strength of our balance sheet and managing the Society's lending exposure. Our capital ratios remain strong and well above the 3% minimum set

Chief Executive's Introduction

by the Bank of England. At the year-end only a small number of customers are in mortgage arrears and over the year incurred losses were very small at just over £10,000. The overall impairment provision stands at £0.5m.

The Society's total reserves are £25.6m which provide significant surplus capital based on the size of its mortgage book.

Community contribution

During the year we have continued to work with local charities including FareShare Leicester, who work to assist those who would otherwise go hungry. The pressures on living costs have only made this situation worse since the pandemic. We have kept the higher on-line voting contribution from the AGM to assist this very worthy cause.

Outlook for 2023

Although the Society does not provide formal forecasts, it is important that members understand how the Society is investing and changing in 2023.

It is unlikely that the housing markets will be as buoyant as in recent years. The combined effects of the increased cost of borrowing and living costs generally will further reduce the disposable income of many would be buyers or home movers. It seems unlikely that the recently announced stamp duty relief will provide much short-term boost to the housing market. We are already seeing a slowdown in market activity generally and house prices plateauing. In some areas prices will likely fall in 2023 but overall across future years it is unlikely the reductions would be permanent.

Inflation is significantly above the Bank of England target of 2% and expected to stay high for quite a while. Consumer spending, and therefore economic growth, will slow or reduce and we can expect a recession in 2023. The Society is ready to support borrowers during these difficult times.

The Society will continue to monitor its credit risk appetite in the light of these changing markets. The previous trends of increased numbers of borrowers running into retirement age will continue. Lending

markets always adapt to the economic conditions and so we will continue to innovate and change our approach to these conditions.

Next year will see further implementation work on the multi-year IT investment into digital services which will help members access the Society in the way they choose to. It will also help make our internal processes more efficient and effective.

Our People

Through a very busy year staff have performed wonders in their dedication and effort in continuing to provide an excellent service to members. All of our teams have worked extraordinarily hard this year meeting the various challenges of the changing markets head on and in opening a new branch at Anstey for which we know local members are delighted.

I would like to thank all our members for your ongoing support over the year and I hope you have a safe, successful and enjoyable 2023.

Gary Brebner
Chief Executive
12 January 2023

Key Performance Indicators

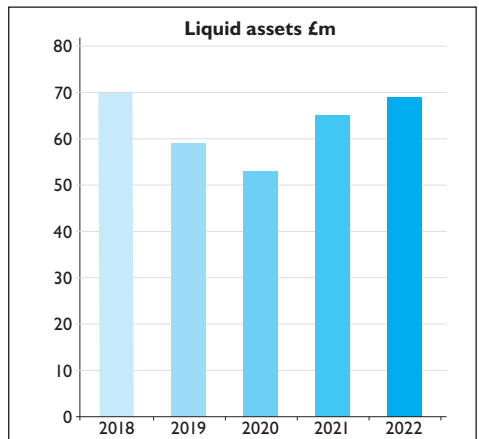
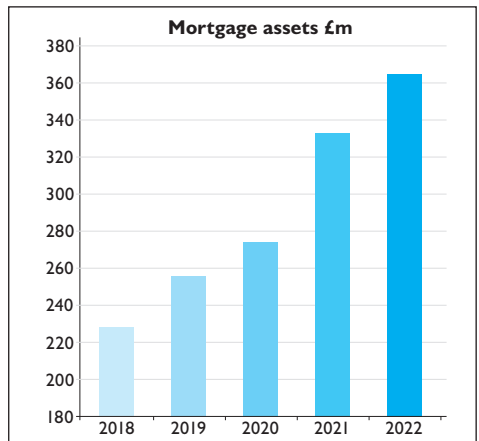
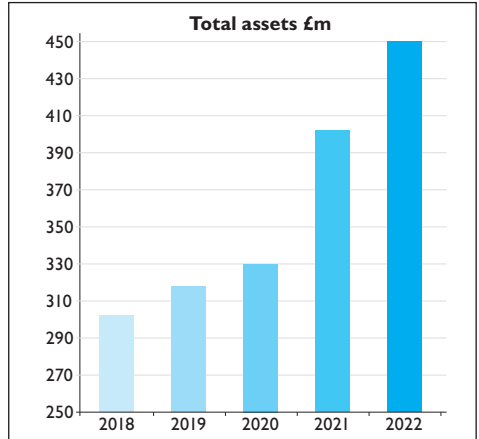
Founded in 1867, Loughborough Building Society remains true to the ideals of the group of local businessmen who got together to provide the people of Loughborough and District with opportunities to save and borrow money.

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.

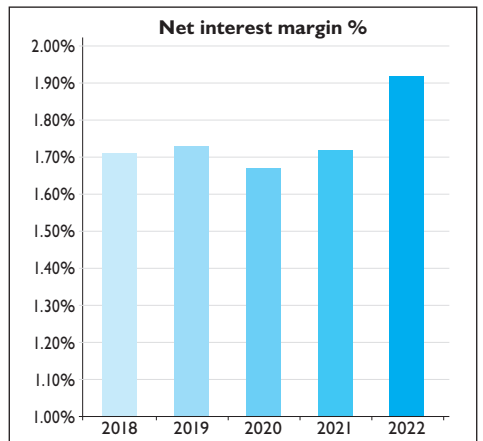
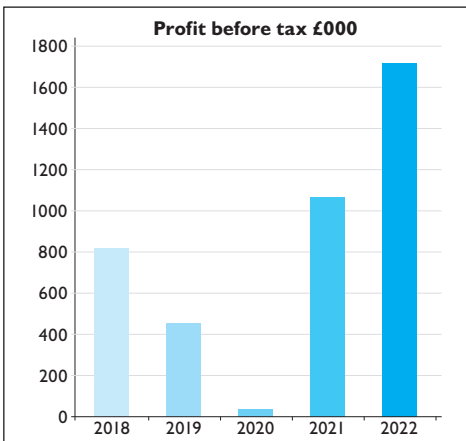
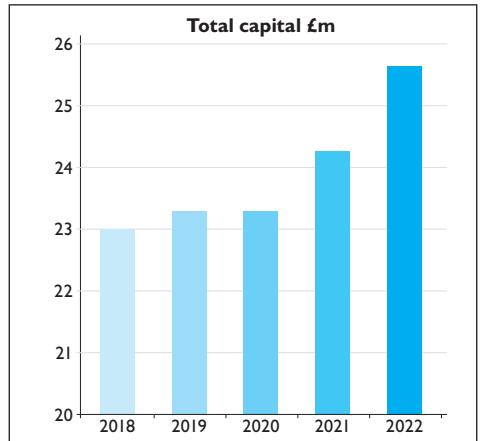
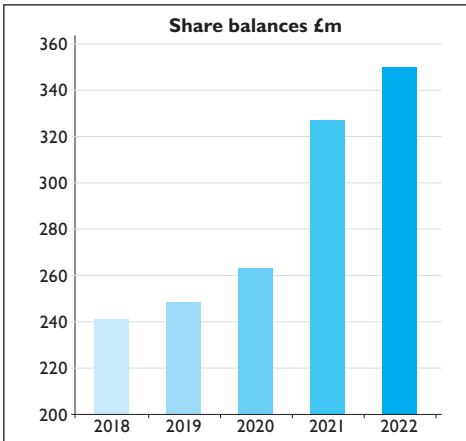
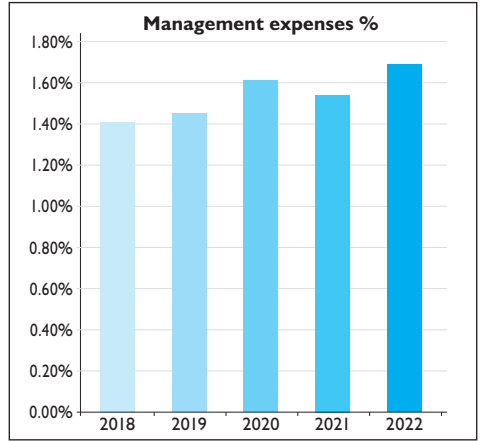
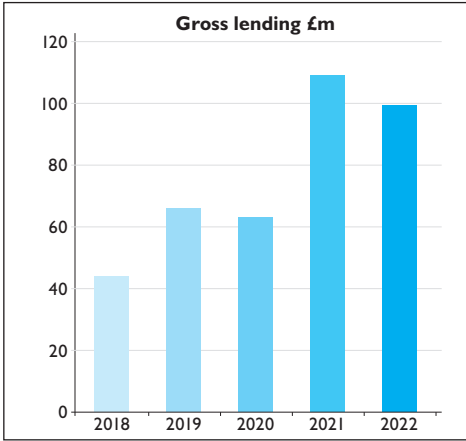
As a mutual building society we're owned by our customers – our savers and borrowers. To us you're more than a customer; you're a member and an individual.

Unlike banks, being a mutual business means we don't have shareholders or dividends to pay. The Society is able to take a long term view and balance the needs of its members for competitive interest rates with the requirement to make enough profit to support capital and allow for continuing 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 below 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



Key Performance Indicators

TOTAL ASSETS

This shows the growth in total assets of the Society as reported within the Summary Financial Statement on page 15.

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 before 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 2023.

Approved by the Board on 12 January 2023 and signed on its behalf by:

H.E. Sachdev	Chair of the Board
R.W. Barlow	Chair of Audit and Compliance Committee
G. Brebner	Chief Executive

Summary Directors' Report

The Board are pleased to present their 155th Annual Report, together with the Annual Accounts and Annual Business Statement of Loughborough Building Society for the year ended 31 October 2022.

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 across England and Wales through a variety of mortgage and savings products which cater for a wide range of customer needs. This objective is achieved through a competitive interest rate structure on a variety of straightforward products, combined with consistently reliable and personal service, to meet the needs of our members and safeguard their interests.

Business Review

Economic Conditions

One of the major influences on Society performance is the economy and much of the year 2022 has seen turmoil in the economic background and financial markets. Base rates have been increased eight times in the last 12 months, from 0.1% at the start of the financial year to 2.25% at the end of October, and then to 3.5% in December. In the same period the Society has only moved its SVR by 0.55%, helping those struggling

with rising costs elsewhere in their budgets. As well as rising mortgage rates our borrowers are seeing increasing inflationary pressure, driven both directly and indirectly as a result of rising fuel costs.

During the year we have also seen significant political uncertainty, with three Prime Ministers in less than three months. At the time of the Chancellor's Autumn Statement, published in November 2022, the Office for Budget Responsibility has stated that the UK is already in recession, and has forecast the biggest drop in living standards since records began.

The Government furlough scheme ended at the end of September 2021 but this did not lead to a significant increase in unemployment, and our experience to date is that there has been no material change in mortgage arrears. However the matters outlined above may lead to increasing numbers of borrowers getting into difficulty in maintaining their mortgage payments. The Board remains conscious of the level of uncertainty within the economy at this time.

As interest rates have begun to rise the Society has continued to review and increase its rates for savers. We are aware that these increases have been welcomed by savers, particularly after 15 years of very low rates, but we are also conscious that rising prices will mean that they potentially have less to save or that they may need to use their savings to pay the bills.

Lending and Saving

The recent market conditions have led to significant pricing volatility across both lending and savings markets. This has seen many larger firms remove a wide range of fixed rate products and either replace them with higher priced equivalents or not replace them at all. This is a direct consequence of the volatility of the swap markets in anticipating the projected path of base rates. For savers a similar pattern has been seen as the quickly rising base rates led to some of the larger firms needing to take action to protect their cash flows and existing customer balances. The Society is not immune from these market conditions and has been continually

Summary Financial Statement

updating its savers' and mortgage rates. The Society's objectives are to reward its savers with sustainable pricing that equally work for existing customers as well as attracting new ones.

The housing market was supported by Government initiatives during 2020 and 2021 and this demand helped the Society achieve record lending in the year ended 31 October 2021. Demand has eased somewhat since then, but gross mortgage advances of £99m in the year have only fallen back by around 9% against 2021. Growth in mortgage balances, after redemptions and repayments of principal, was £32m, which represented around half of the growth seen in the previous year. However, this is the fifth consecutive year in which the Society has seen mortgage book growth, and this continues to allow a greater level of investment in service, resources and systems for the benefit of existing and future members.

The Society's mortgage lending has benefited from continuing to expand its broker operations in the year. Despite the turmoil in the markets the Society has maintained its customer service standards across the year both to brokers and its own direct advice offering.

By the same token the Society's net savings receipts of £26m were significantly down on the 2021 record year of £64m; although around twice the level of the 2020 figure of £14m. The majority of the savings business continues to be conducted through the branch network, although the Society has used commercial cash platforms strategically over the last three years for short term 'bursts' in raising funds. Growth has also been built primarily on the Society's range of good value and straightforward savings products. Growth in share account balances represented a 7.0% increase across the year; again, this is less than 2021 (24.4%) but ahead of the 5.7% growth seen in 2020.

The Society's mortgage balances were over 98% funded by member share accounts (2020: 95%) and this provides a good level of funding security in the event of problems in the generally more volatile wholesale markets. The Society makes

use of the wholesale money markets to provide diversity within its funding strategy. The Society also uses Bank of England funding facilities to provide some ongoing funds and to provide guaranteed emergency funds in the unlikely event of such funding being required.

Profitability

Profit before tax has grown to reach £1,721,000 (2021: £1,067,000) although this figure is boosted by fair value movements in the Society's derivative financial instruments, driven by the increase in interest rates during the year. These movements generated a gain of £907,000 in 2022, compared to a gain of £271,000 in 2021. These gains are the result of the accounting rules for certain financial instruments and are temporary in nature, so are not considered to be indicative of the Society's underlying financial performance.

The Society transacts derivatives to mitigate the risk to income from movements in interest rates. These are held at fair value in the accounts, with the movement in fair value recognised in the Income Statement. Changes in fair value are primarily due to timing differences, which will tend to zero as the asset or liability reaches maturity and so should not be considered part of the underlying profitability.

Pre-tax profits excluding hedging gains remain unchanged at £0.8m. After many years of unrelenting squeeze on interest margin the increasing interest rates seen during the year have enabled to Society to widen its margin over the course of the year, and net interest income of £8.2m is £1.6m or 24% higher than 2021.

Set against this, administrative expenses (including depreciation and amortisation) have increased during the year from £5.6m in 2021 to £7.3m in 2022. The Board recognises the importance of running the Society as efficiently as possible in order not only to support members' interests, but it also recognises the need to invest in people, equipment and new technology. During 2023 as part of the investment in digital the Society will replace its mortgage origination platform and allied services.

Summary Financial Statement

This will improve the customer experience during the mortgage loan application process regardless of channel and help our employees handle business more effectively. It will also help make our internal processes more efficient and effective.

The Society continues to strike a balance between growing the business, providing a reasonable return to investing members and making investments in new services and expertise.

Impairment

The Income Statement shows an impairment charge of £18,000 during the year, compared to £65,000 in 2021. This was largely due to the loss incurred on the sale of a property. The reduction in impairment provisions on residential property in the year of £53k was matched by an equal and opposite increase in the charge in respect of the Society's commercial portfolio.

Although arrears remain low, both across the market generally and for the Society in particular, the Board remain cautious about the recoverability of recent house price gains in the event of a general market deterioration and have provided accordingly.

Provision is made for individual cases either in possession, or where the level of arrears or other known information about the case is such that individual consideration is appropriate.

The level of individual impairment at the end of the year was £42,000 (2021: £37,000).

The Society also maintains an allowance for collective impairment, which assesses loan cases for potential loss, should they become re-possessed and applies publicly available propensity to default (PD) data.

In the Society's case, PD data published by the Fitch ratings agency is used for this purpose. In spite of the pandemic and the inflationary pressure seen this year the Fitch PDs have not deteriorated, and neither of these matters have had a noticeable impact on the Society's allowance for loan impairment. Over the year the provision for

collective impairment shows a small increase from £437,000 in 2021 to £450,000.

As a result of the Government sponsored scheme of offering mortgage payment holidays to customers affected by the pandemic around 10% of our mortgage customers took up payment holidays. All of these have now returned to full payment.

The overall level of arrears remains low. However, the economic situation remains uncertain, and the impacts of rising interest rates and other increases to the cost of living have not yet fed through to mortgage arrears. Any member facing an inability to keep up with mortgage payments is encouraged to contact the Society as early as possible so that we can work together on a solution.

Branch network

During the year the Society increased its network of branches from three – Loughborough, Derby and Long Eaton – to four, with a new branch opening in Anstey, near Leicester, in early 2022. Together with its agency outlet in Southwell, the branch network remains the route by which the Society continues to undertake the majority of its savings transactions with customers.

Customer feedback constantly tells us how important this personal contact is for our members and the Board is happy to reaffirm its commitment to its branches and the staff who work there. As banks continue to shrink their branch networks in our heartland the Society will evaluate opportunities as they arise to expand into communities where it would assist with growth ambitions and widening the membership offering.

Society Staff

The Board wishes to place on record its appreciation for the work of the Society's staff during another busy year with high numbers of mortgage applications, product changes and frequently increasing rates to savers. The branches have continued to provide the personal attention that customers require and appreciate despite the early part of the year being impacted by the Omicron restrictions. The advent of Covid-19 has

Summary Financial Statement

changed workplace practices and the expectations of employees. During the year Head Office staff have continued to operate using a combination of home and office working. That has not impacted the ability to service the high volume of business activities seen during the year. We see this practice of mixing home and office based continuing for quite some time to come.

The Board is proud of them all for what they have achieved and knows how much their efforts are appreciated by our members.

Climate Change

The Society recognises the importance of taking responsibility for the environmental impact of our business and the products and services that we offer to members, with the Society's work in this area being led by the Finance Director. We have been supported by an expert third party in modelling a range of long-term climate scenarios on our mortgage book and will use this to determine how we can best support our borrowers to improve the energy efficiency of their own homes. The Society will be moving to new head office premises in 2023 and as part of refurbishing this property careful consideration is being given to the environmentally optimum means of heating and cooling the premises. Additionally, highly energy efficient LED lighting will be deployed throughout the building and consideration given to other energy efficiency measures, such as installing solar panels to source some of our business's energy requirements.

Once this work is complete, we will commission a full carbon footprint assessment and use this to determine what further steps can be taken to reduce emissions further.

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 have been at historically very low levels for a number of years and the level of uncertainty and risk of economic

disruption are still impacted by both the Covid-19 pandemic and by 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 Corporate Governance Report in the Annual Report and Accounts on pages 10 to 14. 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 and compliance 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 the pandemic and of Brexit, and that any consequent economic downturn, disruption to financial markets or political instability could have an impact on its business model. The impact of both the pandemic and of Brexit have been given particular consideration throughout the year and this consideration is described in the list of principal business risks below. The Society has stress tested its Business Plan for these risks, 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 placed money, may default

on their obligation to pay. The impact of the pandemic on credit risk has been mitigated by payment holidays and the Government furlough scheme. As these have unwound there may have been an adverse credit risk impact. This has not yet shown itself in credit data, but the Board remain conscious of the risk. As noted earlier, the Board are also conscious of the risk that recent increases in house prices may not prove recoverable in the event of a general economic downturn and have adjusted the loan impairment provision accordingly.

- **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. After many years at historic low rates the Bank of England Base Rate has increased from 0.1% at 1 November 2021 to 3.5% in December 2022. As mortgage and savings rates have responded differently to these increases the Society has been, and continues to be exposed to, differing income and costs in the two sides of its balance sheet.
- **Liquidity Risk**, this relates to the Society's ability to meet its financial obligations as they fall due. Times of significant uncertainty, such as caused by the pandemic or by Brexit, can increase liquidity risk as providers of funding, both retail customers and institutions, may withdraw from markets because of their own security concerns. The Society monitors its liquidity daily and conducts stress tests on its ability to fund its operations and meet liabilities as they fall due on a monthly basis. The Society has been able to fund itself effectively throughout the year, maintaining an active presence in both retail and institutional markets. It also participates in Bank of England schemes that would provide emergency funding should the unlikely need arise.
- **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. The pandemic has represented an operational risk event in that it required significant changes in how operations have been carried out to reflect reduced face to face customer contact and remote working for staff. Existing contingency plans were enacted and the Society's operations have remained effective throughout the period.
- **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. Regulatory changes are closely monitored and reported to the Board.
- **Conduct Risk**, this is the risk that the Society does not treat its customers fairly or provides inappropriate products for customers.
- **Strategic Risk**, this is the risk of the Society entering unprofitable markets, offering unprofitable products or being unable to keep up with changes in customer expectations. 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.
- **Climate Risk** is the risk of adverse impacts on the Society's business caused by climate change. These risks have been identified as being physical and transitional. Physical risks could create a direct impact, such as properties over which the Society holds a mortgage becoming uninhabitable or unsaleable due to increased risk of flooding. Transition risks could include developments such as potential disruption to certain sectors of the economy as society moves from higher to lower levels of carbon production in energy generation. In response to these risks, the Society is participating in industry initiatives to understand and plan for their effect. The Society has also engaged in work to meet the

Summary Financial Statement

requirements of the PRA's supervisory statement SS3/19, which sets out regulatory expectations in response to climate risk. In light of this, the Society commissioned a statistical analysis of its mortgage book during the year to understand the potential impact of climate risk on existing accounts. This analysis suggests that direct, physical risks may not present a significant risk to the Society's business, but that transitional risks, especially the remediation costs of converting low energy efficiency homes to a better standard of energy efficiency may be substantial. The impact of this has been considered during 2022 as part of the Society's annual assessment of its capital position and the impact on this of various stress scenarios.

In addition to the risks outlined above, some risks arise from the very nature of being a building society. Primarily these are the raising of funds from savers and lending to mortgage borrowers and other counterparties. These financial risks are closely monitored and controlled by the Board, supported by its committees.

Further details of the Society's approach to financial risk management, including the use of financial instruments for risk management purposes and the key risks faced, are detailed in note 25 to the Accounts.

The management of risk and strategic direction are key activities for the success of the business. The Board, 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 2018 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 £1 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

H.E. Sachdev FCMA Chair of the Board
R. W. Barlow BA, FCA Senior Independent Director
R. L. Curtis-Bowen
J.E. Pilcher ACIB, FCT
C.J. Ashton, nee Bradley ACMA, CF, Dip PFS
S.M.S. Choudhry PhD, FCSI, FLIBF

Executive Directors

G. Brebner BSc, ACA Chief Executive
C. Joyce BA, ACIB Customer Service Director
(retired 30 June 2022)
A. Payton BSocSc, FCA Finance Director
(retired 31 August 2022)
M. Wade MSc, Customer Services Director
CMgr CMI, Assoc CIPD (appointed 28 March 2022)

Following Mr Payton's retirement the Society has appointed Mr R Broadbent as Finance Director with effect from 7 November 2022.

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.

Summary Financial Statement

Donations

There were no donations for political purposes.

The Society supports a number of local community based charities and also makes a donation to FareShare, a food redistribution charity, for each vote cast at its Annual General Meeting. Donations of £8,000 were made to these charities in the year.

Auditor

During the year Deloitte LLP resigned as auditors and following a review of the audit market the Board appointed Mazars LLP as Auditors of the Society. A resolution for their appointment will be proposed to the Society's forthcoming Annual General Meeting.

On behalf of the Board

Helen Sachdev, Chair of the Board

12 January 2023

Summary Financial Statement

	2022	2021
	£000	£000
Results for the year		
Net interest receivable	8,156	6,538
Other income and charges	853	216
Administrative expenses	(7,270)	(5,622)
Provisions – for impairment	(18)	(65)
Profit for the year before taxation	1,721	1,067
Taxation	(361)	(196)
Profit for the year	1,360	871
Financial position at end of the year		
Assets		
Liquid assets	69,445	65,199
Loans and advances to customers	365,003	332,919
Derivative financial instruments	11,185	1,856
Fixed and other assets	3,928	2,167
Total assets	449,561	402,141
Liabilities		
Shares	349,991	326,952
Borrowings	60,960	49,618
Derivative financial instruments	274	159
Other liabilities	12,768	1,190
Provisions for liabilities – FSCS levy	4	7
Reserves	25,564	24,215
Total liabilities	449,561	402,141
	2022	2021
	%	%
Gross capital as a percentage of shares and borrowings	6.22	6.43
Liquid assets as a percentage of shares and borrowings	16.90	17.31
Profit the financial year as a percentage of mean total assets	0.32	0.24
Management expenses as a percentage of mean total assets	1.71	1.54

The constituent parts of these financial ratios are disclosed on page 61 of the Annual Report and Accounts.

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

We have examined the Summary Financial Statement of Loughborough Building Society (the "Society") set out on pages 8 to 15.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Business Review and 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 Business Review and Summary Financial Statement with the Annual Report and Accounts, the Annual Business Statement and the Directors' Report and its conformity with the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Basis of opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts included in the Summary Financial Statement to the corresponding items within the Annual Report and Accounts, the Annual Business Statement and the Directors' Report of the Society for the year ended 31 October 2022 including consideration of whether, in our opinion, the information in the Summary Financial Statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year;
- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether information has been omitted which although not specifically prescribed by section 76 of the Building Societies Act 1986 and regulations made under it, in our opinion, is necessary to ensure consistency with the Annual Report and Accounts, the Annual Business Statement and the Directors' Report of the Society for the year ended 31 October 2022.

We also read the other information contained in the Business Review and Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our report on the Society's Annual Report and Accounts describes the basis of our opinion on those annual report and accounts, the Annual Business Statement and the Directors' Report.

Opinion

In our opinion the Summary Financial Statement is consistent with the Annual Report and Accounts, the Annual Business Statement and the Directors' Report of Loughborough Building Society for the year ended 31 October 2022 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Use of the statement

This statement is made solely to the Society's members as a body and the Society's depositors as a body in accordance with section 76(5) of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement 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 and the Society's depositors as a body for our audit work, for this statement, or for the opinions we have formed.

Mazars LLP
Statutory Auditor
30 Old Bailey
London EC4M 7AU
12 January 2023

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 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 Remuneration Committee are noted in the table on page 12 of the 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 Remuneration Committee.

Executive Directors' Remuneration

Remuneration of the Society's Executive Directors can be comprised of a number of elements: basic salary, annual incentives, 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 usually 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 where the Chair is not 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. The Society uses external benchmarking data to ensure that the fees are proportionate to the duties and responsibilities carried out.

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

Consistent with prior years there has been an incentive scheme that provides non-pensionable rewards for the Executive Directors directly linked

Directors' Remuneration Report

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 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 asset growth as well as delivery of the strategic plan whilst maintaining the financial strength of the Society for the long-term benefit of its members. The Remuneration Committee has reviewed progress against the

various financial and non-financial targets and awarded a discretionary payment of 12.45% to the relevant Executives.

Medium Term Incentives

The Society does not currently operate a medium term incentive scheme.

Pension Benefits

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

Directors' Remuneration

Executive Directors (audited information)

2022	Salary	Annual Performance Pay	Pension Contributions	Benefits	TOTAL
	£000	£000	£000	£000	£000
G. Brebner	180	22	22	10	234
C. Joyce ¹	93	7	9	10	119
A. Payton ²	113	0	14	6	133
M. Wade ³	72	5	8	5	90
TOTALS	458	34	53	31	576

2021	Salary	Annual Performance Pay	Pension Contributions	Benefits	TOTAL
	£000	£000	£000	£000	£000
G. Brebner	172	24	21	11	228
C. Joyce	108	15	13	15	151
A. Payton	131	18	16	7	172
TOTALS	411	57	50	33	551

¹ C. Joyce retired 30 June 2022

² A. Payton retired 31 August 2022

³ M. Wade appointed 28 March 2022

Directors' Remuneration Report

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, in the case of G. Brebner can be terminated by the Society following a maximum of 12 months' notice and by the Executive Director on 12 months' notice. In the cases of M. Wade and R.

Broadbent, service contracts can be terminated by the Society following a maximum of 6 months' notice and by the Executive Director on 6 months' notice.

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 2022	At 31 October 2021	2022 Fees £000	2021 Fees £000
H.E. Sachdev	Chair of the Board	Chair of the Board	46	44
J.E. Pilcher	Chair of Risk Committee	Chair of Risk Committee	34	32
R.L. Curtis-Bowen	Chair of Remuneration Committee	Chair of Remuneration Committee	29	27
R.W. Barlow	Chair of Audit and Compliance Committee and Senior Independent Director	Chair of Audit and Compliance Committee and Senior Independent Director	39	37
C.J. Ashton	-	-	27	25
S.M.S. Choudhry	-	-	27	25
TOTALS			202	190

Rachel Curtis-Bowen
Chair of Remuneration Committee
12 January 2023

Notice of Annual General Meeting

Notice is hereby given that the 155th Annual General Meeting of the Loughborough Building Society will be held on Monday 27 February 2023 at 11.00 at The Council Chamber, Loughborough Town Hall, Market Place, Loughborough LE11 3EB for the following purposes:

To receive the Auditor's Report for the year ended 31 October 2022.

Ordinary Resolutions

- 1 To receive the Directors' Report, Annual Report and Accounts and Annual Business Statement for the year ended 31 October 2022.
- 2 To approve the Directors' Remuneration Report for the year ended 31 October 2022.
- 3 To appoint Mazars 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 Michelle Wade
 - (b) To re-elect Jane Elizabeth Pilcher
 - (c) To re-elect Roger William Barlow

By order of the Board

Gary Brebner, Chief Executive and Secretary
12 January 2023

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 Chair 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 the date of the Meeting, 27 February 2023, if voting in person, or Wednesday 22 February 2023 if you are voting by proxy or online.
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 27 February 2023; 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 2022; 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 2022 up to and including the voting date 27 February 2023.

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.

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.

Directors seeking election or re-election

Details of the Directors standing for election or re-election are provided below. The Board endorses all of the candidates standing.



Michelle Wade

Michelle joined the Society in 2022, bringing with her over 30 years of experience in financial services. Born in Nottinghamshire, she's spent the last 20 years working around the UK.

Michelle graduated from Loughborough University with a Masters degree in Management and Leadership, she's an Associate of the Chartered Institute of Personnel and Development and has been awarded Chartered Manager status by the Chartered Management Institute.

She's married with two grown up children. In her spare time, she enjoys playing golf, spending time with family and friends and taking the dog on long country walks.

"I was delighted to be given the opportunity to join the Society earlier this year. The Loughborough has clearly demonstrated its strength and resilience over the past few years, which have been challenging to us all, by drawing on the commitment and expertise of its staff to continue to support the varying needs of our members. I hope to be able to contribute to the long-term success of the Society, ensuring that the interests of our members remain at the heart of our business."



Jane Pilcher

Jane joined the Board in May 2016 following ten years as a Non-Executive Director at the Cambridge Building Society.

She is 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 Group Treasurer at Anglian Water Group, 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's been a privilege 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 which currently face all of us and to ensure that it continues to manage its finances prudently in the interests of our members."



Roger Barlow

Roger joined the Board as a Non-Executive Director in March 2019. He is Chair of Audit and Senior Independent Director. Roger is a Chartered Accountant and former partner with KPMG. He has held various Non Executive Directorships including AIM listed companies and a challenger Bank and was previously Chair of a northern Building Society.

Roger is married with two grown up children and two active grandchildren. He lives in Manchester and enjoys skiing, overseas travel and family time.

"It has been an honour to serve on the Board and ensure that the Society has thrived during the pandemic and provided excellent service and help to members both borrowers and savers. I look forward to helping the Society with the next phase of development to further enhance our reach through branches and digital and continue to serve all members' needs".

Important information about the 2023 AGM

2023 AGM Arrangements

Attending the meeting will give you the opportunity to meet and talk to our Board members. This will be our first face to face meeting for three years and we're really looking forward to seeing you. If you are unable to attend the meeting you can register to access a recording of the meeting, details are set out in your Proxy Voting Form.

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 and raise any questions you may have.

For each vote cast the Society will make a donation to FareShare a food redistribution charity. FareShare source and redistribute surplus food, which would otherwise have gone to waste, to charities and community groups. We will donate £1 for every vote cast online and 20p for votes received by post or in branch. If you would prefer us not to donate then you can opt-out.

How to vote

We would prefer you to use the online or postal voting options. However, if this is not possible ballot boxes will be available in our branches and agency.

You can vote:

ONLINE

Vote by midnight on Wednesday 22 February 2023 at www.cesvotes.com/loughborough23

BY POST

Use the reply-paid envelope provided to post your voting form to Civica Election Services, to arrive no later than Wednesday 22 February 2023.

IN BRANCH OR AGENCY

Drop your voting form into the ballot box at your local branch or agency by close of business on Wednesday 22 February 2023.

IN PERSON

Join us at the AGM on Monday 27 February 2023 which starts at 11.00 at The Council Chamber, Loughborough Town Hall, Market Place, Loughborough LE11 3EB.

Questions for the AGM

We are keen to ensure that members have the opportunity to raise any questions they may have. You can submit questions to the Board of Directors in advance of the AGM by:

- Emailing them to:
LBSAGM@theloughborough.co.uk
- Sending your questions by post addressed to:
Chief Executive and Secretary,
Loughborough Building Society,
6 High Street,
Loughborough,
LE11 2QB

Questions must be received by **Wednesday 22 February 2023**, together with your full name and address. Members attending the AGM will also be able to ask questions during the meeting.

Responses to the most commonly asked questions will be published on our website alongside the AGM voting results in the early part of March 2023.

Please note that questions sent for the attention of the Society's Board of Directors should not be personal to you or relate to specific account queries. Any such queries should be sent to us separately in the usual way.

Register to view a recording of the AGM

To register to access a recording of the 2023 AGM please complete the registration section on your Proxy Voting Form.

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 631960, ask at your local branch or visit the FSCS website www.fscs.org.uk

Tariff of Mortgage Charges effective from 1 March 2023

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

The Tariff of Charges doesn't include charges for taking out a new mortgage or a further advance. You'll 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'll 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 theloughbororough.co.uk/support-centre/mortgage-support/existing-borrower-faqs 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.	£25
<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.	£10
<i>Copy of deeds</i>	If you need us to provide a copy of your deeds.	£25
<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.	£75
<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.	£75

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/for 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'll need to reassess your circumstances. You'll need 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 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 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.	£75
<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.	£240
<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.	£100
<i>Instruction/cancellation of bailiff appointment</i>	If we instruct a bailiff to take possession or have to cancel a bailiff appointment.	£25
<i>Possession fee</i>	The administration costs to cover the extra work we have to do to manage a possession case.	
	Residential properties	£300
	Let properties	£300
	Commercial properties	£500
	Second charges	£150

Tariff of Savings Charges effective from 1 March 2023

Loughborough Building Society provides this information so that you understand the fees and charges that you might have to pay whilst you're a customer of the Society. These charges may change from time to time, but we'll 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'll be advised at the time the service is offered to you.

We'll 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 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.	£10
<i>Telegraphic transfers (International)</i>	If you need us to arrange a telegraphic transfer of funds from your savings account to another bank.	£10 + Bank Charges
<i>Duplicate interest certificate</i>	If you need us to provide a previously issued interest certificate, we'll charge your account with this fee for each account and for each year we're asked to provide a certificate.	£10
<i>Duplicate postal account statement</i>	If you need us to provide a previously issued account statement, we'll charge your account with this fee for each account and for each year we are asked to provide a statement.	£10
<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.	£35
<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're asked to provide information for.	£10

The logo for The Loughborough Building Society features the text "The Loughborough Building Society" in white on a dark blue background. To the right of the text is a stylized graphic consisting of four horizontal bars in light blue, green, pink, and yellow, partially overlapping a white semi-circle.

The Loughborough Building Society

Head Office

6 High Street, Loughborough, Leicestershire LE11 2QB.

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

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

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29 The Nook, Anstey, Leicester LE7 7AZ.

Tel: (0116) 4440170 | Email: anstey@theloughborough.co.uk

Agency Office

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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