



Business Review and Summary Financial Statement

**For the year ended 31 October 2023
including Notice of Annual General Meeting**

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Results Year ended 31 October 2023



I'm pleased to present the Society results for year ended 31 October 2023. 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 had an excellent year. Gross lending was over £140m and is a new record high. Mortgage customer retention has been good taking gross mortgage assets to a new high of £465m, up from £375m last year. The scale of fair value hedging adjustments has declined from last year's £11.2m to £8.4m. This is an expected reduction following so many rate increases. At the same time interest received on swaps has increased by £4.4m from last year. In normal market conditions neither of the values would be as high. We expect further unwinding in 2024.

In the period December 2021 to 31 October 2023 base rates have risen 14 times from 0.1% to 5.25%. That has improved interest receivable on swap derivatives and increased mortgage rates on new business across the market. In the same period the Society has only moved its SVR by 2.2%. This helps those struggling with rising costs elsewhere in their household budgets. Further increases in SVR are likely if base rates climb further as the increased costs cannot be absorbed by the Society and our savers will expect better returns.

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. In the summer we were part of the initial group of lenders who signed up to the Mortgage Charter and a small number of borrowers have taken advantage of the Charter provisions. We have yet to see any real increase in homeowners requesting support from the Society. We recognise harder times are ahead and there is a cost of living support hub on our website.

Record mortgage assets and rising rates have led to an additional £5m mortgage interest income, £1.6m in liquidity and £4.4m on swaps. Set against this, the Society has paid higher returns to savers, with interest payable increasing by £9m from the prior year. Management costs have increased as we continue to invest in changing the IT systems and the headcount has grown to service the increased business growth. Profits before tax and net derivative gains were £1.1m, up £0.3m from last year.

The underlying strength of the business performance across recent years including this one can be seen in the highlights for 2023 below:

- Gross mortgage balances up 23% to £465m, a new high
- Record assets of £533m, up 18%
- Share and deposit balances reached a new record of £392m up 12%
- Retained profits are £0.8m increasing reserves to £26m

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.

The investment in new technologies will 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.

Chief Executive's Introduction

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 by the Bank of England. Although mortgage rates have risen, 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 £20,000. The overall impairment provision stands at £1.1m.

The Society's total reserves are £26m 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 2024

Although the Society does not provide formal forecasts, it is important that members understand how the Society is investing and changing in 2024.

The combined effects of the increased cost of borrowing and living costs generally has generally reduced the disposable income of many would be buyers or home movers. In turn this has decreased the purchase activity in the housing markets as all lenders are required to undertake affordability assessments.

The slowdown in market activity generally and house prices plateauing means that new build rates have already started to decline. During 2024 in some areas average house prices will likely fall but given the shortage of supply, across future years it is unlikely any reductions would be permanent.

Inflation has been significantly above the Bank of England target of 2% and although falling is

expected to stay higher for longer. With the cost-of-living pressures on household budgets, consumer spending, and with it economic growth, are expected to be low in 2024. 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.

2024 will see the implementation of the first stage of our new IT platforms which will bring some digital services helping 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 with record lending and retail cash inflows, staff have shown tremendous 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.

I would like to thank all our members for your on-going support over the year and I hope you have a safe, successful and enjoyable 2024.

Gary Brebner

Chief Executive
11 January 2024

Key Performance Indicators

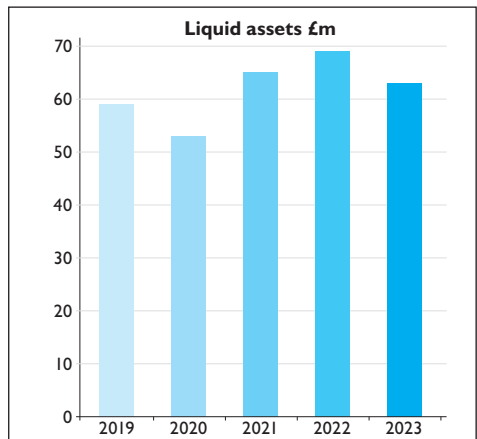
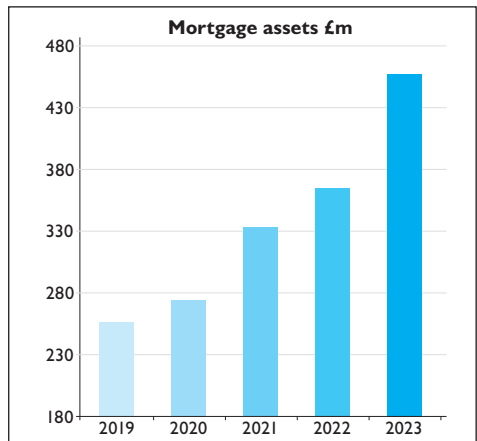
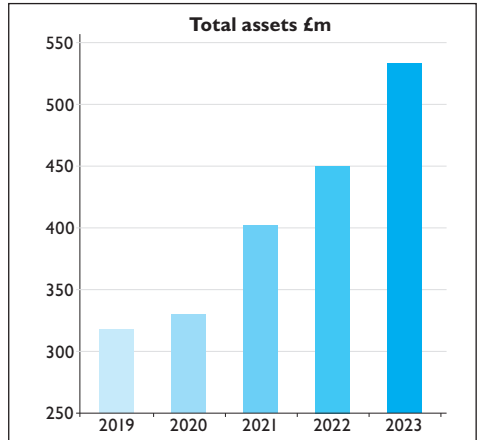
Founded in 1867, Loughborough Building Society remains true to the ideals of the group of local businessmen who got together to provide the people of Loughborough and District with opportunities to save and borrow money.

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.

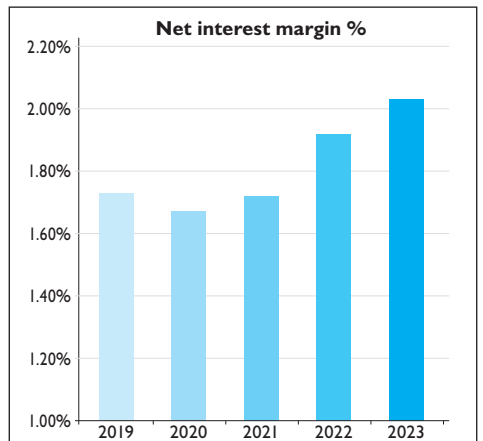
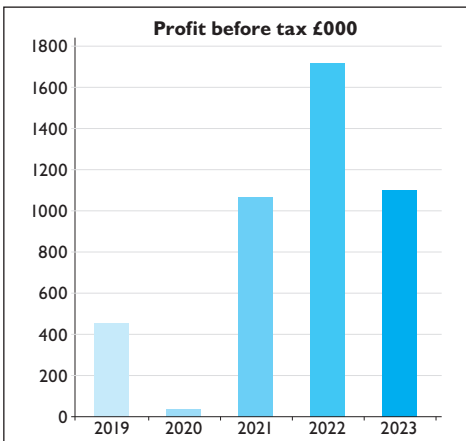
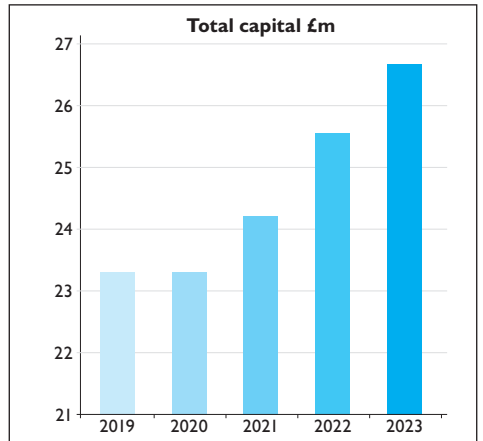
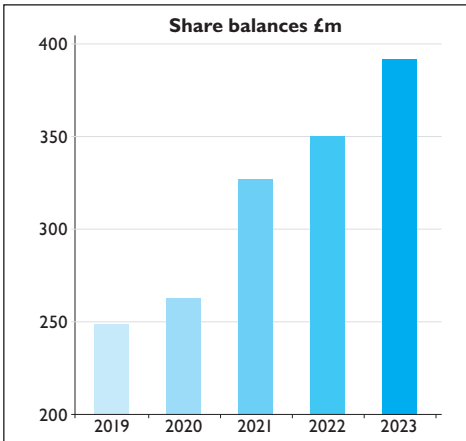
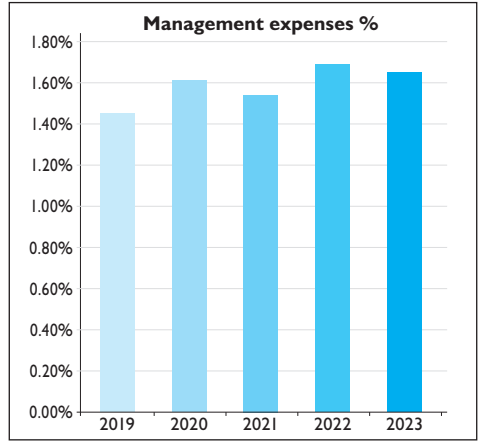
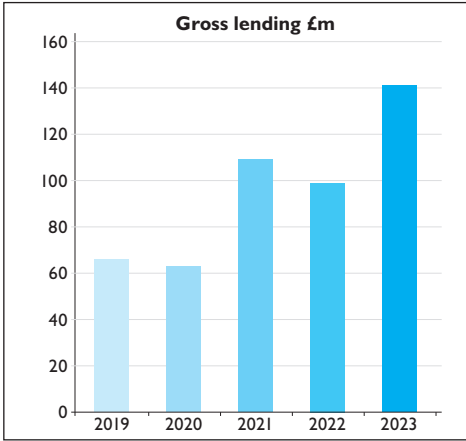
As a mutual building society we're owned by our customers – our savers and borrowers. To us you're more than a customer; you're a member and an individual

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.

GROSS CAPITAL

This represents the aggregate of the reserves shown in the summary financial statement.

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.

MEAN TOTAL ASSETS

This represents the average of total assets at the beginning and end of the year.

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 2024.

Approved by the Board on 11 January 2024 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 156th Annual Report, together with the Annual Accounts and Annual Business Statement of Loughborough Building Society for the year ended 31 October 2023.

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 which in 2023 has been impacted by a continuation of high inflation and geopolitical uncertainty. Base rates have

increased from 2.25% at the start of the financial year to 5.25% at the end of October. In the same period the Society has only moved its SVR by 1.60%, helping those struggling with rising costs elsewhere in their budgets.

During the year we have also seen significant geopolitical uncertainty, with the continuing Russia-Ukraine war and more recent Israel-Gaza conflict. The Society has no direct exposure linked to Russia/Ukraine or Israel/Gaza.

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 remain conscious of the level of uncertainty within the economy at this time, and as a signatory to the Mortgage Charter will provide support to members facing difficulty maintaining their mortgage payments.

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. Our aim, as always, is to provide consistent, fair pricing to savings members.

Lending and Saving

Competition remains intense in both lending and saving markets. The view that UK base rates may have peaked, together with a reduction in interest rate swap prices, has resulted in a reduction in mortgage pricing, particularly for fixed rate products. For savers a similar pattern has been seen with competition in the wider market resulting in higher savings rates for these products. The Society is not immune to these market conditions and has been continually updating

Summary Financial Statement

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

In 2023 the Society delivered gross mortgage lending of £140m, a record high (2022: £99m). This, together with strong retention of existing mortgage balances, resulted in net mortgage book growth of £92m (2022: £32m). This is the seventh 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. In 2024 the Society will deploy new IT capability to improve the efficiency of its mortgage lending activity. To ensure safe delivery of this project a lower level of gross and net mortgage lending is being targeted for the 2023/24 financial year.

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 £42m were significantly up on the 2022 year of £23m. 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.

The Society's mortgage balances were over 86% funded by member share accounts (2022: 98%) 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 for the year was £1,099,000 (2022: £1,721,000). A number of factors have influenced the financial performance of the Society in 2023 including a £1.8m increase in net interest income arising from growth in interest generating assets and a widening of the Society's net interest margin, a £1.3m increase in costs which arose due to investment in people and systems as part of the Society's IT change programme and general inflationary pressures and the fact that the prior year profit before tax included a net gain from derivative financial instruments of £0.9m (2023: fair value loss of £37k). These fair value movements 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 improved to £1.1m (2022: £0.8m), with growth in the overall size of the Society's mortgage portfolio supporting this improvement in financial performance. After many years of unrelenting squeeze on interest margin the increasing interest rates seen during the year have enabled Society to widen its margin over the course of the year, and net interest income of £10.0m is £1.8m higher than 2022.

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Set against this, administrative expenses (including depreciation and amortisation) have increased during the year from £7.3m in 2022 to £8.1m in 2023. 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 began the development of a new mortgage origination platform and allied services.

Once implemented 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 £628,000 during the year, compared to £18,000 in 2022. This charge reflects weakness in the wider UK housing market which has seen price reductions per the Halifax Price Index of c4% in 2023 rather than any specific loss being incurred on the sale of properties in possession or increasing arrears levels.

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 £54,000 (2022: £42,000).

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. Where Fitch data is not available management applies judgement, especially in the case of commercial loans.

In the Society's case, PD data published by the Fitch ratings agency is used for this purpose. Over the year the provision for collective impairment shows an increase from £450,000 in 2022 to £1,066,000 at the 2023 financial year end. This increase is due to house price reductions in 2023 and the Society's view that should properties be taken into possession then the sale of such properties would take longer. The Society's time to sell assumption for residential properties was increased from 12 to 24 months.

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 fully fed through to mortgage arrears. Any member facing difficulties maintaining their mortgage payments is encouraged to contact the Society as early as possible so that we can work together on a solution.

Branch network

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

Summary Financial Statement

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.

During the year Head Office staff have continued to operate using a combination of home and office working. We see this practice of mixing home and office work being permanent.

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 2024 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.

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. 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:

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- **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 increases in house prices may not prove recoverable in the event of a general economic downturn, a risk that is heightened by the current cost of living crisis, 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 2.25% at 31st October to 5.25% in August 2023. 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 cost of living crisis or geo-political uncertainty, 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.
- **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

Summary Financial Statement

these risks, the Society is participating in industry initiatives to understand and plan for their effect. The impact of the pandemic on credit risk has been mitigated by engaged in work to meet the 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 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 2023 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 30 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
J.E. Pilcher ACIB, FCT
C.J. Ashton ACMA, CF, Dip PFS, SMP
S.M.S. Choudhry PhD, FCSI, FLIBF

Executive Directors

G. Brebner BSc, ACA Chief Executive
R. Broadbent BSc, ACA Finance Director (appointed 7 November 2022)
M. Wade MSc, CMgr CMI, Assoc CIPD Customer Services Director
S. Lee BA, ACA Risk & Compliance Director and Society Secretary (appointed 1 March 2023)

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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.

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 £1,000 were made to these charities in the year.

Auditor

A resolution to reappoint Mazars LLP as Auditor of the Society was passed at the 2023 AGM.

On behalf of the Board
Helen Sachdev, Chair of the Board
11 January 2024

Summary Financial Statement

	2023	2022
	£000	£000
Results for the year		
Net interest receivable	9,958	8,156
Other (expense)/income	(123)	853
Administrative expenses	(8,108)	(7,270)
Provisions – for impairment	(628)	(18)
Profit for the year before taxation	1,099	1,721
Taxation	(258)	(361)
Profit for the year	841	1,360

Financial position at end of the year

Assets

Liquid assets	63,137	69,445
Loans and advances to customers	456,688	365,003
Derivative financial instruments	8,394	11,185
Fixed and other assets	4,571	3,928
Total assets	532,790	449,561

Liabilities

Shares	391,904	349,991
Borrowings	104,345	60,960
Derivative financial instruments	696	274
Other liabilities	9,430	12,768
Provisions for liabilities	-	4
Reserves	26,415	25,564
Total liabilities	532,790	449,561

	2023	2022
	%	%
Gross capital as a percentage of shares and borrowings	5.32	6.22
Liquid assets as a percentage of shares and borrowings	12.72	16.90
Profit the financial year as a percentage of mean total assets	0.17	0.32
Management expenses as a percentage of mean total assets	1.65	1.71

The constituent parts of these financial ratios are disclosed on page 7.

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 2023 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 2023.

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 2023 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
11 January 2024

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 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 17% (2022: 13%) 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. Contributions for Executive Directors are aligned to the wider workforce.

Directors' Remuneration

Executive Directors (audited information)

2023	Salary	Annual Performance Pay	Pension Contributions	Benefits	TOTAL
	£000	£000	£000	£000	£000
G. Brebner	200	34	24	10	268
R. Broadbent ¹	149	26	17	6	198
S. Lee ²	80	14	10	4	108
M. Wade	127	22	16	6	171
TOTALS	556	96	67	26	745

2022	Salary	Annual Performance Pay	Pension Contributions	Benefits	TOTAL
	£000	£000	£000	£000	£000
G. Brebner	180	22	22	10	234
C. Joyce ³	93	7	9	10	119
A. Payton ⁴	113	0	14	6	133
M. Wade ⁵	72	5	8	5	90
TOTALS	458	34	53	31	576

¹ R. Broadbent appointed 7 November 2022

² S. Lee appointed 1 March 2023

³ C. Joyce retired 30 June 2022

⁴ A. Payton retired 31 August 2022

⁵ M. Wade appointed 28 March 2022

Directors' Remuneration Report

Other Benefits

The Society provides other taxable benefits to Executive Directors comprising a 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 or role holder following a maximum of 12 months' notice. In the cases of M. Wade, R Broadbent and S. Lee, service contracts

can be terminated by the Society or role holder following a maximum of 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 2023	At 31 October 2022	2023 Fees £000	2022 Fees £000
H.E. Sachdev	Chair of the Board	Chair of the Board	49	46
J.E. Pilcher	Chair of Risk Committee	Chair of Risk Committee	37	34
R.L. Curtis-Bowen	Chair of Remuneration Committee	Chair of Remuneration Committee	31	29
R.W. Barlow	Chair of Audit and Compliance Committee and Senior Independent Director	Chair of Audit and Compliance Committee and Senior Independent Director	41	39
C.J. Ashton	Chair IT Programme Board	-	30	27
S.M.S. Choudhry	-	-	28	27
TOTALS			216	202

Rachel Curtis-Bowen
Chair of Remuneration Committee
11 January 2024

Notice of Annual General Meeting

Notice is hereby given that the 156th Annual General Meeting of the Loughborough Building Society will be held on Monday 26 February 2024 at 10.30am 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 2023.

Ordinary Resolutions

- 1 To receive the Directors' Report, Annual Report and Accounts and Annual Business Statement for the year ended 31 October 2023.
- 2 To approve the Directors' Remuneration Report for the year ended 31 October 2023.
- 3 To re-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 Robert Michael Broadbent
 - (b) To elect Susan Elizabeth Lee
 - (c) To re-elect Helen Elizabeth Sachdev
 - (d) To re-elect Sherif Moorad Saeed Choudhry

By order of the Board

Susan Lee

Risk & Compliance Director and Society Secretary

11 January 2024

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. 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 Wednesday 21 February 2024 if you are voting by proxy or online, or Monday 26 February 2024, if you are voting in person at the AGM.
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:
Age: You will be aged 18 or over on 26 February 2024; and
Membership: You are the sole or first named account holder in the records of the Society; and
 - (a) You held at least £100 in your savings account(s) with the Society on 31 October 2023, and continued to have a savings account(s) with the Society at all times between 31 October 2023 and the voting date; or
 - (b) You owed the Society not less than £100 on your mortgage account(s) on 31 October 2023 and on the voting date.
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.
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 Chair 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. This may include, for example, a valid driving licence or passport.
8. If you appoint a proxy, other than the Chair, and they do not attend the Meeting, then your vote will not be counted.

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.



Robert Broadbent

Rob joined the Society in November 2022 as Finance Director. He has over 20 years of experience in the financial services sector. Prior to joining the Society, he was Finance Director at Leek Building Society for 3 years.

He is a Chartered Accountant having trained and qualified at Deloitte, working within their financial services practice auditing, and advising banks and building societies. His role at the Society involves leading the finance team, with responsibility for financial and regulatory reporting, and managing the Society's liquidity, funding, and capital positions.

Rob is married with two children and enjoys skiing and spending time with his family.

"I was delighted to be given the opportunity to join the Society last year. It is a privilege to serve on the Board as your Finance Director. I look forward to supporting the delivery of long-term success of the Society and placing the interests of our members at the front and centre of our business."



Susan Lee

Susan joined the Society in 2012 and was appointed to the Board in March 2023. Formerly the Society's Head of Risk & Compliance she has over 25 years of experience in the financial services sector.

Susan is a chartered accountant. Prior to joining the Society she worked for KPMG within their financial services practice, this included involvement in audit and advisory services for a range of banks and building societies.

Susan lives in Leicestershire. In her spare time she enjoys walking, reading and baking.

"It is a privilege to be given the opportunity to serve on the Board. The economic environment and the Society's investment programme present both challenges and opportunities for Members and the Society. Against this background strong risk management remains a priority. I look forward to supporting the business to deliver the Strategy whilst ensuring that Members best interests are at the heart of our decision making."



Helen Sachdev

Helen joined the Board as a Non-Executive Director in May 2017. In addition to Chairing Loughborough Building Society, she also chairs PPL/PRS Ltd (a music licensing business), and is a committee chair at Wilmington PLC (a governance, regulatory and compliance training provider).

Helen is married with grown up children. She lives in Bristol and enjoys skiing, live music and is a keen cook and seamstress.

"I feel a huge sense of privilege to be serving the Board of the Loughborough Building Society as Chair. I am very proud that we have been able to steadily grow our members – both borrowers and savers. We continue to focus on maintaining excellent service through our branches, and we plan to improve digital access in the coming term."



Sherif Moorad Saeed Choudhry

Moorad joined the Board in July 2020. He has over 30 years' experience in the City of London and was latterly Treasurer, Corporate Banking Division at The Royal Bank of Scotland.

He is an Honorary Professor at University of Kent Business School, and author of "The Principles of Banking".

Moorad is married with two young children, and enjoys turning out for Newdigate Football Club, which plays in Division 4 North of the West Sussex League.

"I've been a passionate advocate of the Building Society movement ever since my days in the sterling money markets during the 1990s. For me, Building Societies, and everything they stand for, represent the very best of the UK financial services industry. It's been a supreme privilege to serve The Loughborough for the last three years, and I would be honoured to be elected to serve another term on the Board."

Important information about the 2024 AGM

2024 AGM Arrangements

The AGM will be held on Monday 26 February 2024 at The Council Chamber, Loughborough Town Hall, Market Place, Loughborough LE11 3EB. The meeting starts at 10.30am. We hope that you can join us.

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. You can vote online, by post, in branch or agency, or at the AGM meeting. Details are provided below.

The AGM is your opportunity to meet our Board, have your say on how the Society is being run, and raise any questions you may have. If you are unable to attend the meeting you can still participate by voting and submitting questions in advance. You can also register to access a recording of the meeting, details are set out below and in your Proxy Voting Form.

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 or in person at the AGM, and 30p for votes received by post or in branch and agency. 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 21 February 2024 at www.cesvotes.com/loughborough24

BY POST

Use the pre-paid envelope provided to post your voting form to Civica Election Services, to arrive no later than Wednesday 21 February 2024.

IN BRANCH OR AGENCY

Drop your voting form into the ballot box at your local branch or agency by close of business on Wednesday 21 February 2024.

IN PERSON

Join us at the AGM which starts at 10.30am on Monday 26 February 2024 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: Risk & Compliance Director and Society Secretary, Loughborough Building Society, 6 High Street, Loughborough, LE11 2QB

Questions must be received by **Wednesday 21 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 2024.

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 2024 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 2024

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>Permanent 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'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

* Temporary changes made under the Mortgage Charter are free from charge. Please visit www.theloughborough.co.uk/support-centre for more information.

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 2024

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>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.	£10
<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 company name in white text on a dark blue background. To the right of the text is a vertical stack of four colored bars: 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

Branch Offices

4 High Street, Loughborough, Leicestershire LE11 2PY.

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

1/2 Babington Lane, Derby DE1 1SU.

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

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

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

29 The Nook, Anstey, Leicester LE7 7AZ.

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

Agency Office

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

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

website: 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