



Business Review and
Summary Financial Statement
for the year ended 31 October 2016
including Notice of Annual General Meeting



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Chief Executive's Introduction



I am pleased to present the results for the Society for the year ended 31 October 2016. This is the first year we have reported our results under a new accounting

standard, FRS 102. The comparatives have been restated to be on the same basis. The AGM notice is contained later in this summary and I would encourage you to read it and vote.

The Society continues to grow in size despite the difficulties in its core markets. Mortgage pricing and savers' rates continue to be highly impacted by the Government's Funding for Lending Scheme (FLS). This funding line has been extended through a new Term Funding Scheme (TFS) which continues the supply of cheap money to various institutions. The weakness of mortgage pricing directly impacts on the Society's savers' rates. In the last year interest receivable on mortgages has fallen by 4% despite a 3% increase in mortgage balances.

Even with these challenges, I am pleased to say that your Society has performed well as can be seen from the financial highlights below:

- Record assets of £303m
- Profit before tax and FSCS levy stands at £770,000 (2015: £854,000)
- Mortgage assets have increased to a new record level of £229m (2015: £222m)
- Share balances are up by 3% to £257m
- Increased gross capital to £21.7m or 7.8% of shares and borrowings (2015: £21.1m and 7.9% respectively)

The economic climate remains difficult for savers. The Society continues to balance the need to grow and retain sufficient profit for future investment and providing a return for savers. This balance positively differentiates your Society from plc institutions who have to find a return for shareholders. The current overall levels of profit are, in our view, sufficient.

The mortgage market remains exceptionally competitive. For the first time in seven years our gross lending was below the previous year. This was solely caused by housing and lending markets slowing down in the summer in the build up to and following the EU Referendum vote. The downward change in base rates has added further downward pressure on rates for savers and borrowers. We have seen many large institutions reduce the rates on some accounts to near zero. The Society will remain vigilant on how these changes impact retail flows into the Society. Our products remain attractive and our service is of a high standard.

Despite external pressures in the savings markets, the Society held rates for as long as it could before reducing them during 2016. As many other institutions had already reduced their rates these changes, however difficult, were inevitable.

The continued profitability of the Society is key to its longevity. The Society will continue to manage costs and interest margin to remain profitable and financially strong. Building capital over time is a business imperative. We place significant emphasis on preserving the strength of our balance sheet and managing the Society prudently. Our capital ratios are strong and well above the 3% leverage ratio the PRA and Bank of England have been challenging banks to meet.

Chief Executive's Introduction

It is inevitable that some borrowers will find themselves in difficulty. It is pleasing to report that residential arrears cases remain under control and are similar in number to last year. The very low charge in the accounts reflects this. The overall impairment provision stands at £1.3m.

During the year the Society has produced retained profits of £0.6m taking total reserves to nearly £22m. Both are important indicators of financial stability and strength.

OUTLOOK FOR 2017

Although the Society does not provide forecasts, it is important that members understand the market conditions anticipated in the coming year. It would appear that uncertainty remains in our key markets and housing transactions appear to have slowed in the latter part of 2016 and this could continue into 2017. Downward market pressure on savers' rates is likely to continue as the largest banks continue to reduce rates to near zero on many accounts. The reduction in base rates led to a fall in Sterling in international markets. The inflationary consequences of that will be felt in 2017 and it is possible that base rates will rise. We also anticipate a modest increase in regional house prices as demand still outstrips housing supply.

It is unclear how the UK economy will perform once the Government triggers Article 50 and

starts negotiations with the EU on future trade and other arrangements. How the economy does perform will shape Government and macro-economic policy for some time to come. We will therefore continue to manage the Society prudently given these uncertainties.

The Society only exists because of its members. Consequently we will continue to strive to improve access to our services further. We will continue to offer competitive products to first time and other home buyers in the region and maintain margins to keep confidence of the Regulators and you as members in our financial strength.

I am grateful for the dedication of management and staff who continue to provide members with an excellent personal service. The Society remains committed to being customer led and member owned, providing financial security and long term value and choice for current and future generations of members.

I would like to thank you all for your support over the year and hope you have a successful and enjoyable 2017.

Gary Brebner
Chief Executive
15 December 2016

Key Performance Indicators

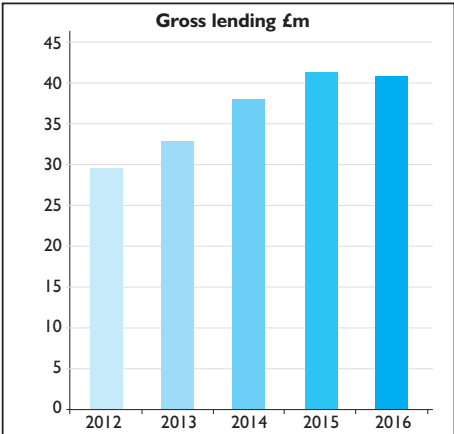
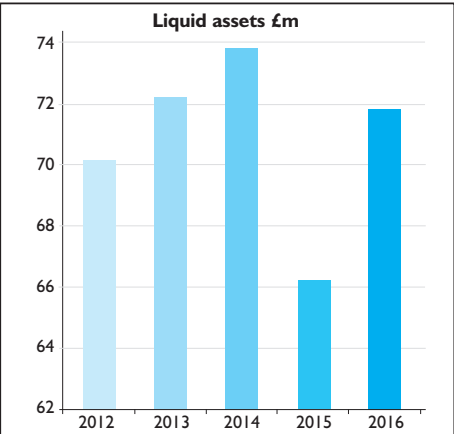
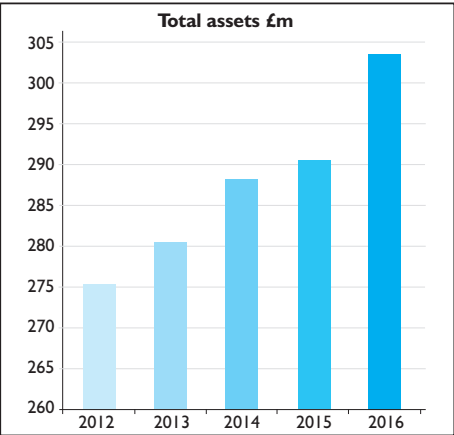
Founded in 1867, Loughborough Building Society remains true to the ideals of the group of local businessmen who got together to provide the people of Loughborough and District with opportunities to save and borrow money.

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

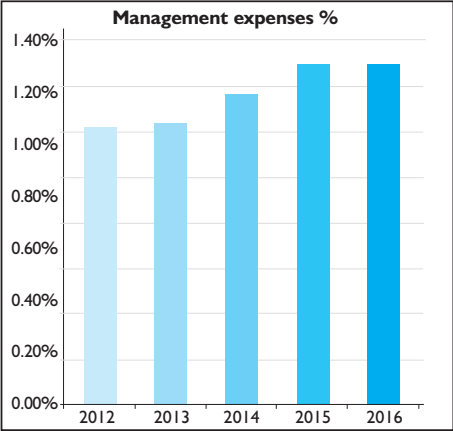
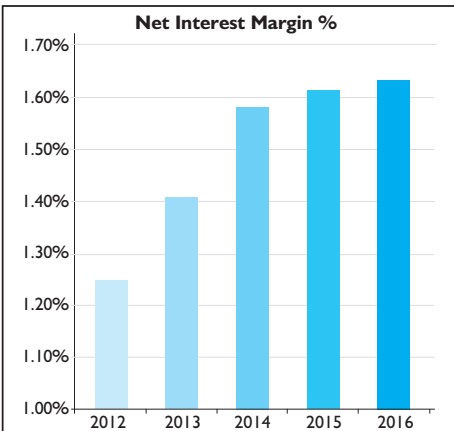
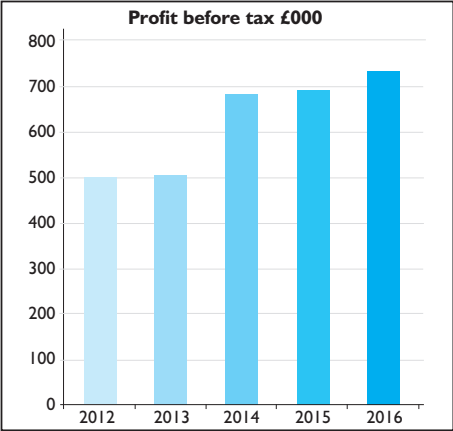
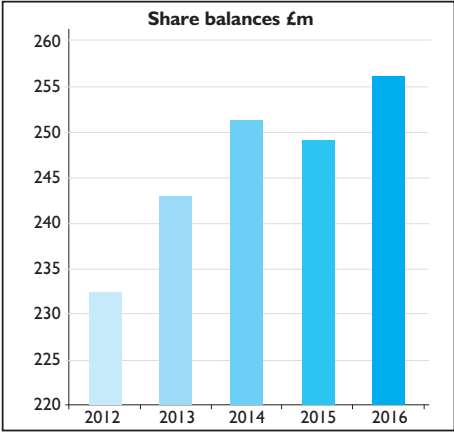
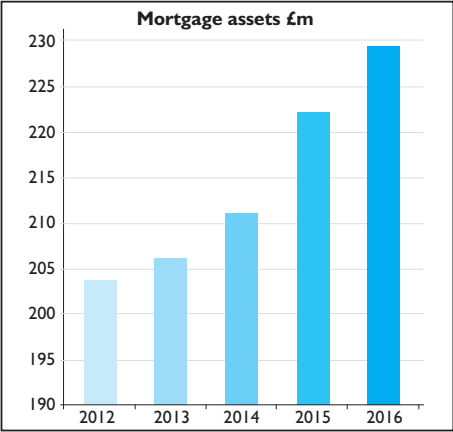
As a mutual building society we're owned by our customers – our savers and borrowers. To us you're more than a customer; you're a member and an individual.

Unlike banks, being a mutual business means we don't have shareholders or dividends to pay. We make every decision by putting our members' interests first and share the results of our success with them through higher interest rates for savers, lower rates for borrowers and providing better services.

The graphs below show progress over the last 5 years across a number of key indicators:



Key Performance Indicators



The Society has adopted Financial Reporting Standard 102 for the first time in 2016 and this has resulted in the restatement of the financial statements for 2015. Figures for the earlier years are reported under previous UK GAAP.

Summary Financial Statement

This 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 20 January 2017.

Approved by the Board of Directors on
15 December 2016 and signed on its behalf by:

D.T. Bowyer	Chairman
M.W. Parrott	Chair of Audit and Compliance Committee
G. Brebner	Chief Executive

Summary Directors' Report

The Directors are pleased to present the Summary Financial Statement of Loughborough Building Society for the year ended 31 October 2016.

Business Objectives and Activities

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

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

Business Review

The UK economy has been more volatile in 2016 with the impact of the vote to leave the European Union in June affecting the financial markets and

prospects for GDP growth are considerably lower than pre-Brexit forecasts. House prices continue to increase with supply remaining a constraint and the housing market remains at lower volumes of transactions when compared to the period prior to the credit crunch.

2016 has seen the first bank base rate change for over 7 years. The rate reduction in August from 0.5% to 0.25% means rates have reached a new historic low. It remains to be seen as to when rates will start to increase in the wake of the new landscape following Brexit.

The Society has sustained a strong level of performance in the face of extremely competitive conditions in the marketplace. 2015/16 has seen growth in both savings and mortgage balances. The key performance indicators on pages 6 and 7 illustrate the Society's sound financial position. Profits before tax of £718,000 (2015: £694,000) have been achieved and this directly increases the capital base which is essential to provide security for our members and enable the Society to invest and grow.

Competition in the mortgage market has remained intense throughout the year. Your Society has focused on delivering quality mortgage products with the assurance of a robust underwriting process to maintain a high quality base of mortgage assets. Mortgage products and pricing are regularly reviewed in the light of customer experience and market conditions.

Liquidity balances have increased over the year reflecting inflows from members. The Society maintains prudent levels of liquidity to safeguard the interests of members and held total liquidity of £71.8m at the year end.

Summary Financial Statement

The Society reduced the standard variable mortgage rate (SVR) from 4.99% to 4.84% in October following the reduction in bank base rate. Our SVR remains competitive against many other mutual organisations.

Gross lending in the year was £41.0m (2015: £42.0m). Although lower than 2015, this still represents an excellent achievement given the uncertainty in the market with disturbance from Brexit. Virtually all of the mortgage advances have again been originated directly, rather than through intermediary channels.

During the year the Society's range of mortgage products was enhanced by the addition of new offerings for lending into retirement. At the other end of the scale, the Society continues to offer first-time buyer products for those looking to start out on the property ladder.

Mortgage balances have increased by 3.0% although due to market conditions, interest receivable has reduced to £8.0m (2015: £8.3m).

Mortgage balances, after provision for losses, have risen by £6.7m (2015: £10.3m) in the year, reflecting both the excellent service provided to all borrowers and the quality of retention products offered to existing borrowers.

The interest received by savers continues to be affected by the low rates available throughout the market. Where possible we maintain rates but the Society cannot disregard market conditions and some rate reductions have been necessary in order to preserve the Society's capital base.

The Society's range of savings products remains competitive for our customers seeking a safe home for their investments. There was an overall increase in share balances of £7.7m (2015: decrease of £3.0m). The Board has again ensured that funds were readily available for mortgage lending at all times during the year and all lending has been funded by investors' share balances rather than from wholesale deposits.

The Board is again pleased to record that arrears remain at low levels reflecting the quality of the mortgage book and the skills of the mortgage team who offer early and focused support to borrowers in difficulty. The Board has considered it appropriate to make a small increase in the provision for mortgage losses of £9,000.

Total assets have increased to £303.1m (2015: £290.5m). Reaching a milestone of £300m is an excellent achievement and demonstrates the progress made in recent years as the Society enters its 150th year.

The Society has continued to serve the local member base through the branch network in Loughborough, Derby and Long Eaton and the agencies in Southwell and West Bridgford. Our branches continue to offer a high street alternative to the banks for lending and saving.

Fixed assets have also increased this year; this reflects the purchase in July 2016 of the branch premises at 4 High Street Loughborough. This building, which was previously leased, is now owned by the Society and we are in the process of refurbishing the branch and offices to enhance

Summary Financial Statement

the level of service offered to our members. This is an exciting development and will ensure that the Society continues to provide high standards of customer service and staff accommodation.

There has been a modest increase in costs this year. This is mainly due to IT costs, staff costs and regulatory/audit costs.

A significant element of the IT costs of £129,000 (2015: £153,000) is shown as an exceptional cost and this reflects continued work to embed new systems and processes following the change of IT system in September 2014. As noted last year, periodic investment in IT systems is a fundamental requirement for a modern financial services institution focused on customer service. Whilst no further exceptional IT costs are expected in 2016/17 relating to the change in system, ongoing IT development costs will continue to be incurred.

These necessary cost increases have contributed to an overall rise in management expenses, however after excluding exceptional items, the ratio per £100 of mean assets has remained at 130 pence (2015: 130 pence). The Board continues to seek ways of increasing operational efficiency, without compromising the level of service provided to our members.

Our pre-tax profits continue to be impacted by the charge being suffered by all deposit taking firms under the Financial Services Compensation Scheme (FSCS) levy, as a result of the failure of a number of banks over recent years. The charge for the levy this year is £52,000 (2015: £160,000).

The pre-tax profit for the year was £718,000 (2015: £694,000) a level which the Board considers appropriate to maintain the strong capital position for existing and future members of the Society.

Principal Risks and Uncertainties

Building societies operate in a highly competitive and regulated market with significant uncertainties arising from the general economic environment, in particular the demand for borrowing and the availability of funding. Interest rates remain at historic low levels, now even lower since August, and there is a risk of volatility in the financial markets as seen post-Brexit.

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

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

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

- **Credit Risk**, this relates to the risk that mortgage customers or treasury counterparties, to whom the Society has lent money, may default on their obligation to pay.
- **Interest Rate Risk**, this is the risk that income or expenditure, arising from the Society's assets or liabilities, varies as a result of changes in interest rates.

Summary Financial Statement

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

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

All major areas of risk are reviewed by the Risk Committee and, where appropriate, other Board committees as detailed in the Annual Report and Accounts.

Corporate Governance

The Board is committed to best practice in corporate governance and supports the principles of the Corporate Governance Code 2014 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 local charity. The Society will donate 20 pence per postal vote and 50 pence per on-line vote, up to a maximum of £1,000, amongst charities selected by each individual voter from a short list.

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.

Summary Financial Statement

FRS 102 transition

The preparation of the Society's annual accounts now falls within the remit of a new accounting standard, FRS 102. This seeks to more closely align UK financial reporting with international accounting standards. More details are given in the Annual Report and Accounts in the Accounting Policies section 1.1. The figures for the 31 October 2015 year end have been re-stated in order to comply with FRS 102 and reconciliations to the previously published figures are given in note 27 to the Annual Report and Accounts.

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 persons served as Directors during the year:

Non-Executive Directors

S.P. Mellors FRICS

Chairman until 31 October 2016

D.T. Bowyer FCA

Chairman from 1 November 2016

I.J. Webb BSc, MCIM

Senior Independent Director

C.D. Clifford BA, FCIPD

D.C. Huntley BA, FIA

(appointed 1 October 2016)

C.J. Martin FCIB

(resigned 20 November 2015)

M.W. Parrott FCPFA

J.E. Pilcher ACIB, FCT

(appointed 25 May 2016)

Executive Directors

G. Brebner BSc, ACA

Chief Executive

C. Joyce BA, ACIB

Operations Director

S.J. Jeffries LLB, FCA

Finance Director

Summary Financial Statement

The Directors retiring in accordance with the Rules are D.T. Bowyer, D.C. Huntley, J.E. Pilcher, I.J. Webb, C. Joyce and S.J. Jeffries and who, being eligible, offer themselves for re-election and election (in the case of Mr D.C. Huntley and Mrs J.E. Pilcher) respectively.

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.

Mr I.J. Webb has served on the Board for more than nine years. The Board considers that he remains independent and his longevity of service is acceptable and will be subject to annual re-election.

Mr Scott Mellors retired from the Society's Board at the end of October. Scott has been a Director for 17 years and has been Chairman since 2009. He has led the Board with tremendous commitment and enthusiasm and has brought a wealth of experience about property matters and local knowledge to the Board. He will be greatly missed and we all thank him for his outstanding contribution and wish him well for the future.

Mrs Cheryl Clifford is retiring at the end of December 2016. Cheryl has been with the Society for ten years during which time she has served as Chairman of the Staff and Remuneration Committee and as the Senior Independent Director. The Board greatly appreciates her dedication and contribution over this period and wishes her well for the future.

Donations

There were no donations for political purposes.

Auditor

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

Management and Staff

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

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

On behalf of the Board

David Bowyer

Chairman

15 December 2016

Summary Financial Statement

	2016	2015
Results for the year	£'000	£'000
Net interest receivable	4,835	4,653
Other income and charges	(67)	(50)
Administrative expenses - non exceptional	(3,860)	(3,759)
Administrative expenses - exceptional	(129)	(153)
Provisions - for mortgage losses	(9)	163
- for FSCS levy	(52)	(160)
Profit for the year before taxation	718	694
Taxation	(158)	(143)
Profit for the year	560	551

Financial position at end of the year

Assets

Liquid Assets	71,756	66,333
Mortgages	228,712	222,039
Fixed and other assets	2,587	2,123
Total Assets	303,055	290,495

Liabilities

Shares	256,577	248,862
Borrowings	22,966	18,633
Derivative financial instruments	521	414
Other liabilities	1,187	1,336
Provisions for liabilities - FSCS levy	93	118
Reserves	21,711	21,132
Total Liabilities	303,055	290,495

Summary of key financial ratios

	2016	2015
	%	%
Gross capital as a percentage of shares and borrowings	7.77	7.90
Liquid assets as a percentage of shares and borrowings	25.67	24.80
Profit for the year as a percentage of mean total assets	0.19	0.19
Management expenses as a percentage of mean total assets	1.34	1.35
Management expenses less exceptional items as a percentage of mean total assets	1.30	1.30

Summary Financial Statement

Key Financial Ratios

Gross capital ratio measures the proportion which the Society's capital bears to the Society's liabilities to holders of shares and borrowings. Gross capital provides a financial buffer protecting investors against any losses that might arise from the Society's activities. The Board is committed to providing a secure home for investors' funds and Loughborough Building Society has a gross capital ratio in line with that of the Building Society industry.

The liquid assets ratio measures the proportion of the Society's shares and other borrowings that are held in the form of cash, short-term deposits and marketable securities. Liquid assets are generally readily realisable into cash, enabling the Society to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

Profit for the year as a percentage of mean total assets measures the ratio of profit after taxation for the year to the average value of total assets during the year. The Society needs to make a reasonable level of profit each year in order to maintain its gross capital ratio at a suitable level to protect investors' funds. The Directors believe the profit for the year is consistent with the aims of mutuality.

Management expenses as a percentage of mean total assets measures the proportion of administrative expenses, including depreciation, as a percentage of the average value of total assets during the year.

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') for the year ended 31 October 2016, set out on pages 8 to 15.

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our 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 work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Basis of opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts and disclosures included in the Summary Financial Statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 October 2016, 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 that 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, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 October 2016.

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

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

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

Opinion on Summary Financial Statement

On the basis of the work performed, in our opinion the Summary Financial Statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 October 2016 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Lawrence Pomeroy

for and on behalf of KPMG LLP,

Statutory Auditor

Chartered Accountants

One Snowhill, Snow Hill Queensway,

Birmingham B4 6GH

15 December 2016

Directors' Remuneration Report

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

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

Policy

The Staff and Remuneration Committee reviews and recommends the policy and practice on the remuneration of Executive Directors and senior management group to the Board. The Committee is also responsible for recommending the remuneration of the Non-Executive Directors including the Chairman 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 have the skills and experience needed to lead a business of this nature and complexity and develop it for the long term benefit of our members, in an increasingly regulated and competitive market. In setting reward structures, the policy is to encourage continuous improved performance without undue risk taking.

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

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

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

Executive Directors' Remuneration

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

Where performance related pay is agreed, targets and measures are set at levels to exceed the planned performance of the Society. Payments are therefore only made when the measures have exceeded that planned performance and if key conditions such as capital ratios are met. Failure to meet these conditions would result in no performance related payment being made.

Directors' Remuneration Report

Basic Salary

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

Annual Performance Pay

This is an incentive scheme that provides non-pensionable rewards for the Executive directly linked to the achievement of key performance targets in the year as determined by the Society's Board. Performance targets are reviewed and approved annually, by the Staff and Remuneration Committee, to ensure they are aligned to business priorities. The overall objective is to improve Society performance across a number of key financial indicators such as mortgage asset growth and profits whilst maintaining the financial strength of the Society for the long term benefit of its members. The maximum figure payable was set at 12% of basic salary (2014/15: 12%); the amount payable for 2015/16 is 9.8% (2014/15: an average of 2%).

Medium Term Incentives

The Executive Directors have been invited to participate in a non-pensionable, performance related medium term incentive scheme which is payable on achievement of certain performance indicators and personal objectives. Performance is based on mortgage asset growth over a 5 year period to 31 October 2020 with an interim award payable based on the 3 year period to 31 October 2018. Payment is not guaranteed and the maximum bonus is 30% of salary at both 31 October 2018 and 31 October 2020. The mortgage asset growth achieved in 2015/16 is on track to meet the 2018 target.

Therefore one third of the potential payment, being 10% of salary for each Executive Director, has been accrued at 31 October 2016. There was no scheme in place for 2014/15.

Pension Benefits

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

Other Benefits

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

Service Contracts

All Executive Directors are employed on service contracts, which can be terminated by the Society following a maximum of 12 months' notice and by the individual Executives on 6 months' notice.

Directors' Remuneration Report

Executive Directors (audited information)

2016	Salary	Annual Performance Pay	Pension Contributions	Benefits	TOTAL
	£'000	£'000	£'000	£'000	£'000
G. Brebner	139	14	27	7	187
C. Joyce	96	9	12	10	127
S.J. Jeffries	87	9	6	6	108
TOTALS	322	32	45	23	422

A medium term incentive plan for the Executive Directors was approved by the Staff and Remuneration Committee covering performance over the three years from 1 November 2015.

2015	Salary	Annual Performance Pay	Pension Contributions	Benefits	TOTAL
	£'000	£'000	£'000	£'000	£'000
G. Brebner	137	3	25	7	172
C. Joyce	93	2	12	9	116
S.J. Jeffries	82	2	6	6	96
TOTALS	312	7	43	22	384

Directors' Remuneration Report

Non-Executive Directors' Remuneration

Non-Executive Directors are remunerated solely by fees. They do not have service contracts and they do not receive any salary, pension, incentives or other taxable benefits. The Board's policy is to review the fees annually. The fees paid reflect the responsibility undertaken and the time spent on Society affairs including membership of Board committees.

Non-Executive Directors (audited information)

	Current year	Previous year	2016 Fees £'000	2015 Fees £'000
S.P. Mellors	Chairman	Chairman	38	35
D.T. Bowyer	Deputy Chairman/ Chair of Risk Committee	Chair of Risk Committee	30	26
C.D. Clifford	-	Senior Independent Director	22	21
D.C. Huntley*	-	-	2	-
J.P. Jessop**	-	Deputy Chairman	-	18
C.J. Martin***	-	-	2	21
M.W. Parrott	Chair of Audit Committee	Chair of Audit Committee	28	25
J.E. Pilcher****	-	-	11	-
I.J. Webb	Senior Independent Director	-	23	21
TOTALS			156	167

* D.C. Huntley joined the Board on 1 October 2016

** J.P. Jessop retired on 16 July 2015

*** C.J. Martin resigned on 20 November 2015

**** J.E. Pilcher joined the Board on 25 May 2016

Ian Webb

Chairman Staff and Remuneration Committee

15 December 2016

Notice of Annual General Meeting

Notice is hereby given that the 149th Annual General Meeting of the Loughborough Building Society will be held on Monday 27 February 2017 at 6.15pm at The Council Chamber, Loughborough Town Hall, Market Place, Loughborough LE11 3EB for the following purposes:

To receive the Auditor's Report.

Ordinary Resolutions

- 1 To receive the Directors' Report, Annual Report and Accounts and Annual Business Statement for the year ended 31 October 2016.
- 2 To approve the Directors' Remuneration Report for the year ended 31 October 2016.
- 3 To re-appoint KPMG LLP as Auditor 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:
 - 4(a) To elect JANE ELIZABETH PILCHER
 - 4(b) To elect DAVID CHARLES HUNTLEY
 - 4(c) To re-elect DAVID THOMAS BOWYER
 - 4(d) To re-elect STEPHEN JOHN JEFFRIES
 - 4(e) To re-elect CAROLINE JOYCE
 - 4(f) To re-elect IAN JOHN WEBB

By order of the Board

Gary Brebner, Chief Executive and Secretary
31 December 2016

NOTES

1. These Notes form part of the Notice of Meeting.
2. Under the Society's Rules a member entitled to attend the Meeting and vote may appoint one proxy to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy, and your proxy does not have to be a member of the Society. Your proxy may vote for you at the Meeting but only on a poll. A poll is a formal vote which may take place after an initial vote by a show of hands. Your proxy may not speak at the Meeting, except to demand or to join in demanding a poll.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the proxy voting form.
4. The voting date is 5pm on Wednesday 22 February 2017 if you are voting by proxy or voting online, or Monday 27 February 2017 if you wish to vote in person at the Annual General Meeting.
5. In order to attend and vote at the Meeting, or appoint a proxy, you must qualify as eligible to vote. You are eligible to vote if:
 - (i) You will be aged 18 or over on 27 February 2017; and
 - (ii) 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 2016; and
 - (iii) You will continue to owe at least £100 on a mortgage to the Society or hold savings with the Society from 31 October 2016 up to and including the voting date, 27 February 2017.

Notice of Annual General Meeting

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:
- (i) 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
 - (ii) whether you qualify to vote as both a shareholding member and a borrowing member.

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

7. Members attending the Meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. If you are appointing a proxy other than the Chairman of the Meeting to attend the Meeting and vote on your behalf, please ensure that your proxy brings an appropriate form of identification to the Meeting.

If you appoint a proxy to vote on your behalf and your proxy does not attend the Meeting, your vote will not be counted.

Directors seeking election or re-election



Jane Pilcher

Jane joined the Board as a Non-Executive Director in May 2016 having spent 10 years on the board at the Cambridge Building Society. Jane is a Fellow of the Association of Corporate Treasurers and is currently Group Treasurer at the Anglian Water Group, a position she has held for the past 20 years. Jane lives with her husband and daughter in Cambridgeshire.

"I am delighted to join the Board of the Society. We continue to face challenges and a complex financial environment, particularly following the results of the recent Brexit Referendum, and I look forward to serving the Society to ensure it maintains its financial strength, seeking to protect and secure value for our members in everything we do."



David Huntley

David joined the Board as a Non-Executive Director in October 2016. A qualified actuary, he held a number of divisional MD roles both in the UK and internationally at Swiss Re, Scottish Re and Pearl Assurance in a career spanning more than 25 years. Now, he works as an executive coach supporting senior leaders across a wide range of sectors in different parts of the world and also has Non-Executive Directorships at Fidelity Life (UK) Limited, Fidelity Life (Ireland) DAC and Scottish Friendly Assurance Society in Glasgow.

"I am delighted to have joined the Board in October. We are living through very challenging and uncertain yet fascinating and dynamic times and I am very much looking forward to bringing my broad based experience and background to be of service to the Society and its Members in the years ahead."

Directors seeking election or re-election



David Bowyer

David joined the Board as a Non-Executive Director in March 2010 having retired from KPMG in 2008. A Chartered Accountant, he was an audit partner in their Midlands Retail Financial Services division for 20 years, spending much of his time working with building societies. David is also a Non-Executive Director of Age UK Solihull and Family Care Trust, a West Midlands charity providing help and support to people with mental health issues.

"The Society is successfully dealing with the challenging and complex financial and regulatory environment. I am resolute that Loughborough Building Society, in its 150th year and beyond, will continue to put current and future Members at the heart of all we do, to provide products that you value, coupled with exceptional customer service. It was a huge honour recently to be asked to become Chairman of your Society. With your continued support I look forward to serving the Society and our Members in the years ahead."



Caroline Joyce

Caroline, who is from Nottingham, joined the Board in 2003 as Operations Director and is responsible for the Society's Branches and Agencies and the Head Office based Mortgage and Customer Service Teams.

"My main responsibilities are for ensuring we have efficient processes, policies and people in place to deliver great service and products to our members. I remain committed to seeking out ways to improve and update how we do things at the Society to ensure its continued relevance to members both now and in the future."

Directors seeking election or re-election



Stephen Jeffries

Stephen joined the Society in September 2011 as Head of Finance and was appointed to the Board in October 2013 as Finance Director. He has also been a member of the Society's Assets and Liabilities Committee since 2011. Stephen qualified as a Chartered Accountant in 1999 and worked for Big Four accountancy firms in the East Midlands for over a decade. Immediately prior to joining the Society, Stephen gained experience at the local head office of national house builder Barratt Developments PLC.

"The Society continues to grow both its capital strength and mortgage assets. Furthermore, we were delighted to reach £300m total assets in 2016. I am eager to contribute to the continued success of Loughborough Building Society and will ensure the Society maintains its strong financial position whilst delivering value for our members."



Ian Webb

Ian joined the Board of the Society in 2007. He is currently the Marketing Director for UK and Ireland of Antalis, the leading global paper, packaging, signage and office supplies merchant. He's based in the UK head office in Markfield. Ian's prior positions include Marketing Director of local, leading companies David Wilson Homes and Aggregate Industries.

"It is a pleasure to serve the members on the Board. The Society is really well managed and has a hard working, dedicated team. Importantly they continue to have the interests of the members at the forefront of their minds whilst they build upon the past success and develop the Society for the future."

Your vote counts

As a member of Loughborough Building Society we'd like to know your views on how your Society is being run. Voting in the AGM is one way in which you can let us know how you feel – so please take the time to use your vote. For each vote cast the Society will make a donation to either Guide Dogs for the Blind or Derbyshire, Leicestershire & Rutland Air Ambulance. We will make a donation of 20p for every voting form we receive and 50p for every vote made online.

How to vote

You can vote:

ONLINE

Vote by 5pm on Wednesday 22 February 2017 at www.ersvotes.com/loughborough17

BY POST

Post your voting form to arrive no later than 5pm on Wednesday 22 February 2017.

IN BRANCH OR AGENCY

Drop your voting form into the ballot box at your local branch or agency by 5pm on Wednesday 22 February 2017.

IN PERSON

Join us at the AGM on Monday 27 February 2017 which starts at 6.15pm at The Council Chamber, Loughborough Town Hall, Market Place, Loughborough LE11 3EB.

Important information for members

Financial Services Compensation Scheme

The Loughborough Building Society is a participant in the Financial Services Compensation Scheme (FSCS), the UK's deposit guarantee scheme. Your eligible deposits with Loughborough Building Society are protected up to the FSCS deposit compensation limit. With effect from 30 January 2017 the FSCS deposit protection limit of £75,000 will increase to £85,000.

For further information please call us on 01509 610707, ask at your local branch or visit the FSCS website www.fscs.org.uk

Receiving information from The Loughborough

We may contact you with information about new accounts or products and services that we offer unless you have asked us not to. We will never pass your details on to a third party for sales or marketing purposes and will only contact you if we believe it may be of benefit to you.

If we currently contact you, but you'd prefer us not to, please let us know by writing to our Customer Services Manager at Loughborough Building Society, 6 High Street, Loughborough LE11 2QB. However, we will continue to send you account statements, statutory and other information that may affect the operation of your account.

Important information for members

Tariff of charges from 1 March 2017

Loughborough Building Society provides this information so that you understand the fees and charges that you might have to pay whilst you are a customer of the Society. These charges may change from time to time, but we will give you at least 30 days' notice of any increase and will tell you of any charges in advance.

If the Society makes a charge for any service outside of this Tariff, you will be advised at the time the service is offered to you.

Tariff of charges for Mortgage Borrowers

The Tariff of Charges does not include charges for taking out a new mortgage or a further advance. You will be informed of any costs associated with a new mortgage or further advance in the Personal Illustration of Costs and for commercial mortgages in your Terms and Conditions Letter which will be prepared for you before you make your application. We will provide you with an updated Tariff each year and you can also ask us for a copy or view it on the Society's website at www.theloughborough.co.uk 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>Letter confirming outstanding mortgage balance</i>	If you need us to provide confirmation of your mortgage balance as it stands. There is no charge for the first letter but we will charge this fee for any subsequent balance confirmation letters that you request within 6 months.	£10
<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.	£25
<i>Copy of deeds</i>	If you need us to provide a copy of your deeds.	£25
<i>Subsequent redemption statement</i>	If you need us to provide a statement confirming the amount you needed to repay your mortgage in full. There is no charge for the first redemption statement but we will charge this fee if you ask us to prepare a subsequent redemption statement within 6 months. The charge relates to each account we are asked to prepare a redemption statement for.	£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

Important information for members

Name of charge	What this charge is for	How much is the charge
<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
<i>Data Protection Act enquiry</i>	The administration cost to cover the work we need to carry out to provide a response.	£10

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 will need to reassess your circumstances. We will require you to pay this fee when you make your application. We may need to instruct a valuation for which there will be an additional fee.	£100
<i>Consent to let</i>	Under the terms and conditions of your mortgage, you need to obtain our consent if you want to let your property but do not have a 'Buy to Let' mortgage. This fee is payable each time we give consent to you to let your property.	£100
<i>Deeds release fee</i>	If you ask us to release your deeds to your solicitor.	£35
<i>Deeds discharge/sealing fee</i>	If you repay your mortgage and we seal your deeds and/or release our charge. This fee is waived if you repay on expiry of your mortgage term or you take out a new mortgage with the Society.	£85

Important information for members

If you are unable to pay your mortgage

Name of charge	What this charge is for	How much is the charge
<i>Unpaid cheque/direct debit</i>	If you make a payment to your mortgage account and there are insufficient funds in your account to meet this payment, we will debit your account with this fee.	£20
<i>Arrears letter</i>	If your mortgage goes into arrears we will write to you to let you know. We do not charge for the first letter but we will charge this fee for any subsequent arrears letters that we have to send you.	£30
<i>Broken arrangement fee</i>	If you make an arrangement with us to repay your arrears and then break it.	£30
<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.	£105
<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

Important information for members

Tariff of charges for Savers

We will provide you with a Tariff when you open an account and you can also ask us for a copy or view it on the Society's website at www.theloughborough.co.uk 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.	£30
<i>Telegraphic transfers (International)</i>	If you need us to arrange a telegraphic transfer of funds from your savings account to another bank.	£30 + Bank Charges
<i>Unpaid cheque</i>	If you pay a cheque into your savings account and there are insufficient funds in the account it is drawn on, we will charge your account with this fee.	£20
<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.	£20
<i>Replacement passbook</i>	If you lose your passbook and we have to issue you with a replacement, we will charge your account with this fee.	£15
<i>Duplicate interest certificate</i>	If you need us to provide a previously issued interest certificate, we will charge your account with this fee for each account and for each year we are asked to provide a certificate.	£15
<i>Duplicate postal account statement</i>	If you need us to provide a previously issued account statement, we will charge your account with this fee for each account and for each year we are asked to provide a statement.	£25
<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>Data Protection Act enquiry</i>	The administration cost to cover the work we need to carry out to provide a response.	£10
<i>Breakdown of transactions relating to passbook accounts</i>	If you require analysis of transactions this fee covers the administration cost of carrying out this work to provide a response. This charge relates to each year we are asked to provide information for.	£20

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: lbora@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

Agency Offices

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

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

Massers Solicitors, 9 Tudor Square, West Bridgford, Nottingham NG2 6BT.

Tel: (0115) 981 1147 • Email: westbridgford@theloughborough.co.uk

website: www.theloughborough.co.uk

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