



of helping people buy their home
and save for the future

**Business Review and
Summary Financial Statement**
for the year ended 31 October 2017
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 2017. The AGM notice is contained later in this summary and I would encourage

you to read it, vote and to provide your email address so in future we can send you this and other Society documents electronically.

The Society has successfully grown its gross lending this year. However fierce pricing competition led to a series of exceedingly low mortgage offers made by large lenders. The Society took a conscious decision not to follow mortgage pricing to record lows in order to help protect rates paid to savers. As a consequence we did lose more borrowers than usual to other lenders during the year. Although the reduction in mortgage assets has been modest at just 2% of balances, interest received on these mortgages has reduced by 9%. This lost income puts a strain on the ability of the Society to maintain attractive rates for saving members.

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

- Gross lending up 3.4%
- Profit before tax and FSCS levy increased to £807,000 (2016: £770,000)
- Mortgage balances stand at £224m (2016: £229m)
- Share balances are £252m
- Increased gross capital to above £22m or 8.2% of shares and borrowings (2016: £21.7m and 7.8% 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 through higher rates. The current overall levels of profit are, in our view, sufficient. This positively discriminates your Society from plc institutions. As I have already said the mortgage market has remained exceptionally competitive all year. The very low rates offered by others were triggered by the reduction in base rates last year. The downward change in base rates also added further downward pressure on rates for savers. We have seen many large institutions reduce the rates on some savings accounts to near zero. With these market conditions the Board decided to reduce rates to savers at the start of 2017. Such changes were unavoidable if the Society was to remain profitable and not restrict access to new members wanting to save with us.

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.

It is inevitable that some borrowers will find themselves in difficulty. It is pleasing to report that residential arrears cases remain under control and are similar in number to last year when excluding a legacy portfolio of buy to let properties. The overall impairment provision stands at £1.3m.

Chief Executive's Introduction

During the year the Society has produced retained profits of £0.7m taking total reserves above £22m. Both are important indicators of financial stability and strength.

OUTLOOK FOR 2018

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

The impact of the recent increase in base rate has yet to be seen in lending markets. The changes to stamp duty announced in the recent budget were aimed at helping first time buyers. Whilst welcome, it is our experience that a large number benefit from the bank of mum and dad which is why we have a Family Assist range of products. Overall we do not see that the housing market in transaction terms will improve. Rather, demand will reduce further as borrowers assess whether any further increases in interest rates will occur in 2018. With reduced market transaction levels there will continue to be downward pressure on mortgage rates. 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 as the basis for trade post EU exit is still uncertain. However, the performance of the economy 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.

During 2018 new data protection laws come into force. This will require us to contact all members with new terms regarding why we hold your personal data. It does not however change our existing practice of keeping your personal data safe and only for use by the Society.

This is our 150th year. To mark the occasion we have held several events including donating 150 hours of staff time to charities of their choice. Service matters enormously to you our members. I am grateful for the continuous dedication of management and staff who continue to provide you 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 2018.

Gary Brebner
Chief Executive
15 December 2017

Key Performance Indicators

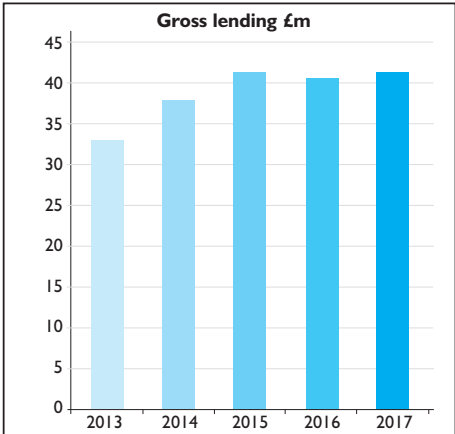
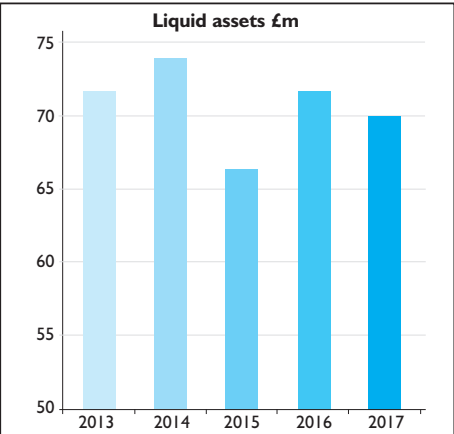
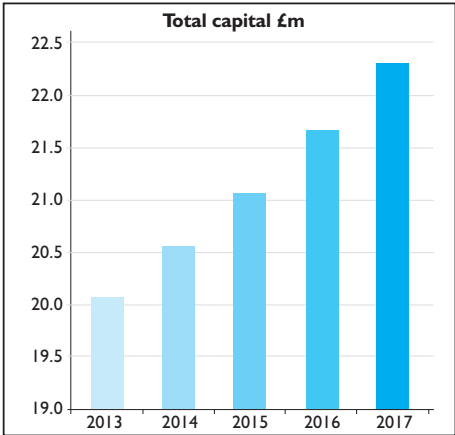
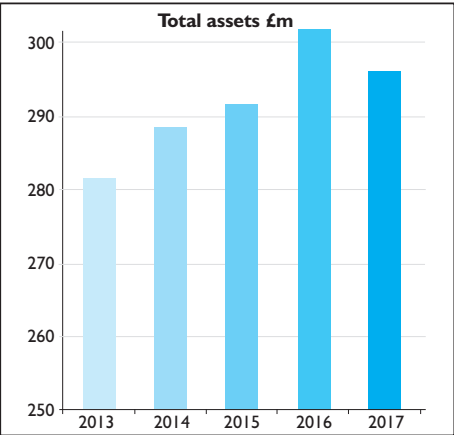
Founded in 1867, Loughborough Building Society remains true to the ideals of the group of local businessmen who got together to provide the people of Loughborough and District with opportunities to save and borrow money.

For 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.

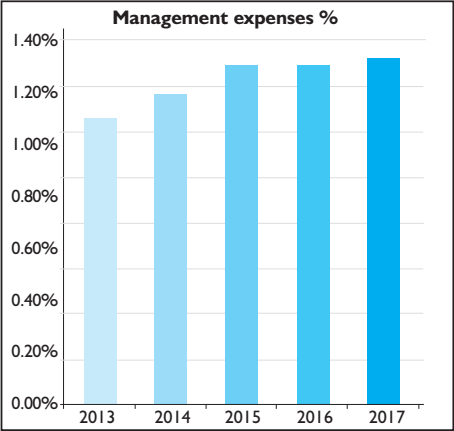
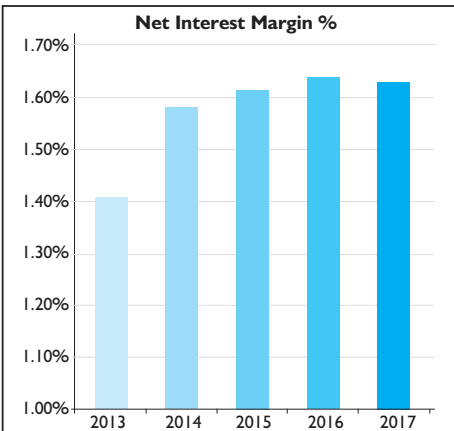
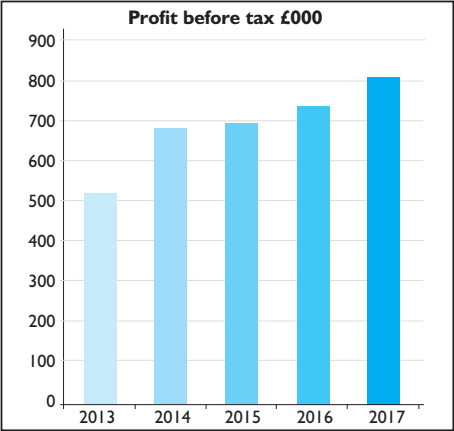
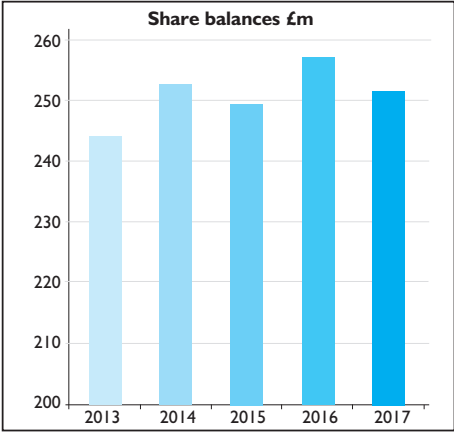
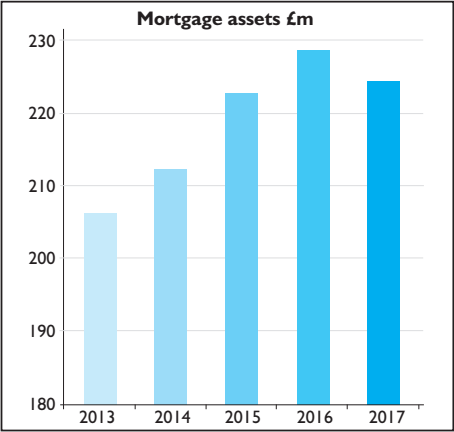
As a mutual building society we're owned by our customers – our savers and borrowers. To us you're more than a customer; you're a member and an individual.

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 financial statements as at 31 October 2014 and subsequently are stated according to Financial Reporting Standard 102 (FRS 102). 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 22 January 2018.

Approved by the Board of Directors on
15 December 2017 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 2017.

2017 has been a momentous year for the Society as it is the 150 year anniversary. This has provided an opportunity to look back at the Society's rich heritage, and historic documents covering the 150 years were exhibited at Loughborough library. The Society has held events to celebrate the milestone and staff have taken part by contributing their time to charities and other good causes.

Business Objectives and Activities

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

The business objectives are to promote savings and home ownership, primarily in the East Midlands, through a competitive interest rate structure on a variety of straightforward products,

combined with high levels of personal service, to meet the needs of our members and safeguard their interests.

Business Review

The Society has delivered a good financial outturn in the face of another year of highly competitive markets. Economic conditions continue to be affected by the post-Brexit decision making process, and this has prolonged the period of uncertainty noted in last year's review. Household incomes for many have reduced owing to subdued wage growth and higher inflation, as weak Sterling has pushed up the price of imported goods. The Bank of England base rate returned to 0.50% in November 2017, however, the rate was at the historic low level of 0.25% throughout the Society's financial year. UK house price growth slowed during 2017, but low mortgage rates and a shortage of homes for sale has sustained some positive growth. In the Society's main area of operation, the East Midlands, house prices have remained comparatively buoyant.

A profit before tax of £807,000 (2016: £718,000) was achieved; a strong result which is important to maintain the capital base of the Society. The key performance indicators on pages 6 and 7 illustrate the progress that has been made in terms of profitability and capital growth. However, for the first time in many years, the level of total assets saw a modest reduction and the Board decided to improve balance sheet efficiency, which has been important in a low interest rate environment. It also reflects the suppressed market for savings and continuing low rates of interest receivable on the Society's liquid assets.

Summary Financial Statement

The Society focusses on offering quality mortgage products with high standards of underwriting. Market demand and product pricing is reviewed regularly. During the year, the Society's offering was expanded to include family assist loans, which could be for university accommodation or to help family members onto the property ladder. The Society increasingly lends to a wider range of demographics and there has also been growth in the number of loans to borrowers who are building their own homes. The Society continues to support first time buyers and also provides products designed for those who want to borrow into retirement.

Gross lending in the year was £42.4m (2016: £41.0m). This small increase is a good reflection on the quality of the Society's products and the hard work of the lending team. The competition from larger societies and banks remains fierce as these lenders can access cheap funding through the financial markets.

Arrears continue to be at low levels and the provision for losses and impairment remains at £1.3m (2016: £1.3m). The Society is mindful of the increased financial burden which may arise for borrowers as interest rates start to increase. Borrowers who do experience difficulty are offered appropriate support at an early stage.

Regarding the savings market, your Society continues to offer competitive products. However, some adjustments have been inevitable throughout the year reflecting movements in the market. As a mutual society we seek to provide a secure home for savers'

funds and promote saving in our heartland and we are very much aware of the impact that the prolonged period of low interest rates has had upon our saving members. There has been a small decrease in savers' balances this year of £4.6m (2016: an increase of £7.7m).

The Society continues to serve members through the branch network in Loughborough, Derby and Long Eaton and through the agency outlets. The refurbishment of the Loughborough branch was completed early in 2017 and the new-look interior has been received favourably by customers.

The increase in the management expense ratio per £100 of mean assets from 1.30% to 1.34% is largely due to a modest increase in management expenses this year as well as a reduction in total assets. The Society's most significant costs are for staff resources and running the IT infrastructure. The Society also invests in areas of development to increase the range of products and services offered to members and the Board sees this as important for the long-term benefit of the Society. We continue to contribute to the Financial Services Compensation Scheme (FSCS) levy, incurred by all deposit taking firms as a result of the failure of other financial institutions since the 2007 crisis. The amount paid this year was £45,000 (2016: £77,000).

The Society's net profit for the year of £671,000 (2016: £560,000) was transferred to general reserves. The Society continues to report capital growth and at 31 October 2017 total capital stood at £22.3m (2016: £21.7m).

Summary Financial Statement

Principal Risks and Uncertainties

Building societies operate in a highly competitive and regulated market with significant uncertainties arising from the general economic environment, in particular the demand for borrowing and the availability of funding. Interest rates remain at historic low levels and there is a risk of volatility in the financial markets as the Brexit negotiations continue until 2019.

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.

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.
- **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.

Summary Financial Statement

Corporate Governance

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

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

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

Regulation

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

Directors

The following served as Directors during the year:

Non-Executive Directors

| | |
|----------------------|-----------------------------|
| D.T. Bowyer FCA | Chairman |
| I.J. Webb BSc, MCIM | Deputy Chairman |
| D.C. Huntley BA, FIA | Senior Independent Director |

M.W. Parrott FCPFA

J.E. Pilcher ACIB, FCT

H.E. Sachdev FCMA
(appointed 1 March 2017)

C.D. Clifford BA, FCIPD
(retired 31 December 2016)

Executive Directors

| | |
|------------------------|---------------------|
| G. Brebner BSc, ACA | Chief Executive |
| C. Joyce BA, ACIB | Operations Director |
| S.J. Jeffries LLB, FCA | Finance Director |

The Directors retiring in accordance with the Rules are C. Joyce, M.W. Parrott, H.E. Sachdev and I.J. Webb who, being eligible, offer themselves for re-election or, in the case of H.E. Sachdev, election.

Mr David Bowyer was appointed Chairman from 1 November 2016. David has been a member of the Board since March 2010. He has previously been Chairman of the Risk Committee, was a member of the Audit and Compliance Committee and continues to serve on the Assets and Liabilities Committee.

Summary Financial Statement

Mr Michael Parrott served as Deputy Chairman until 1 July 2017 after which this role was taken by Mr Ian Webb. The position of Senior Independent Director was held by Mr Ian Webb until 1 July 2017 after which this role was taken by Mr David Huntley.

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

The Board was greatly saddened to hear of the untimely death of our former Chairman, Mr Scott Mellors, in September 2017. Scott had just retired the previous year after 17 years as a Director during which time he had always shown unerring enthusiasm for, and commitment to, the Society and the mutual sector. He was very well liked and regarded by all at the Society, always taking time to speak to staff with his warm-hearted approach and sense of humour. We extend our sincere sympathies to his family and friends.

Donations

There were no donations for political purposes.

Auditor

KPMG LLP have served as External Auditors to the Society for many years. During 2017, in line with best practice for corporate governance,

the Board tendered for the position of External Auditor. In view of the many years that KPMG LLP had served, they were not asked to participate in the tender process. It is the Society's intention to appoint Deloitte LLP for the audit for the year ending 31 October 2018. A resolution to appoint Deloitte LLP as independent auditors to the Society will be proposed at the Annual General Meeting.

The current external auditors, KPMG LLP, exhibited independence and objectivity throughout the audit process, taking into consideration relevant professional and regulatory requirements.

The Board wish to record their thanks and appreciation to KPMG LLP for the services they have provided to the Society during their years as independent auditors.

Management and Staff

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

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

On behalf of the Board

David Bowyer
Chairman

15 December 2017

Summary Financial Statement

| | 2017 | 2016 |
|-------------------------------------------|------------|------------|
| | £'000 | £'000 |
| Results for the year | | |
| Net interest receivable | 4,840 | 4,835 |
| Other income and charges | (30) | (67) |
| Administrative expenses - non exceptional | (4,013) | (3,860) |
| Administrative expenses - exceptional | - | (129) |
| Provisions - for mortgage losses | 10 | (9) |
| - for FSCS levy | - | (52) |
| Profit for the year before taxation | 807 | 718 |
| Taxation | (136) | (158) |
| Profit for the year | 671 | 560 |

Financial position at end of the year

Assets

| | | |
|------------------------|----------------|----------------|
| Liquid Assets | 69,583 | 71,756 |
| Mortgages | 223,805 | 228,712 |
| Fixed and other assets | 2,692 | 2,587 |
| Total Assets | 296,080 | 303,055 |

Liabilities

| | | |
|----------------------------------------|----------------|----------------|
| Shares | 251,985 | 256,577 |
| Borrowings | 20,392 | 22,966 |
| Derivative financial instruments | 187 | 521 |
| Other liabilities | 1,131 | 1,187 |
| Provisions for liabilities - FSCS levy | 48 | 93 |
| Reserves | 22,337 | 21,711 |
| Total Liabilities | 296,080 | 303,055 |

Summary of key financial ratios

| | 2017 | 2016 |
|---------------------------------------------------------------------------------|-------|-------|
| | % | % |
| Gross capital as a percentage of shares and borrowings | 8.20 | 7.77 |
| Liquid assets as a percentage of shares and borrowings | 25.55 | 25.67 |
| Profit for the year as a percentage of mean total assets | 0.22 | 0.19 |
| Management expenses as a percentage of mean total assets | 1.34 | 1.34 |
| Management expenses less exceptional items as a percentage of mean total assets | 1.34 | 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

Opinion

We have examined the Summary Financial Statement of Loughborough Building Society ('the Society') for the year ended 31 October 2017 set out on pages 8 to 14.

On the basis of the work performed, as described below, 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 2017 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for 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 2017, 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 2017.

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.

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.

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

Directors' responsibilities

The directors are responsible for preparing the Summary Financial Statement within the Business Review, in accordance with applicable United Kingdom law.

Auditor's responsibilities

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.

The purpose of our work and to whom we owe our responsibilities

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.

Matthew Rowell

for and on behalf of KPMG LLP,

Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

15 December 2017

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 Executive Directors against specific corporate and individual objectives and makes recommendations to the Staff and Remuneration Committee.

Executive Directors' Remuneration

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

Where performance related pay is agreed, targets and measures are set at levels to 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 Directors directly linked to the achievement of key performance targets in the year as determined by the Society's Board. Performance targets are reviewed and approved annually, by the Staff and Remuneration Committee, to ensure they are aligned to business priorities. The overall objective is to improve Society performance across a number of key financial indicators such as profits and reducing levels of complaints 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 (2015/16: 12%); the amount payable for 2016/17 is 10.0% (2015/16: 9.8%).

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 for the two years to 31 October 2017 is not on track to meet the 2018 target. Therefore nil % of salary for each Executive Director has been accrued at 31 October 2017. This scheme has now been withdrawn.

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 Executive Directors on 6 months' notice.

Directors' Remuneration Report

Executive Directors (audited information)

| 2017 | Salary | Annual Performance Pay | Pension Contributions | Benefits | TOTAL |
|---------------|------------|------------------------------|--------------------------|-----------|------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| G. Brebner | 143 | 14 | 31 | 8 | 196 |
| C. Joyce | 98 | 10 | 13 | 11 | 132 |
| S.J. Jeffries | 98 | 10 | 12 | 7 | 127 |
| TOTALS | 339 | 34 | 56 | 26 | 455 |

| 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 |

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)

| | | | 2017 | 2016 |
|----------------------------|-----------------------------------------|-------------------------------------------|------------|------------|
| | | | Fees | Fees |
| | | | £'000 | £'000 |
| | At 31 October 2017 | At 31 October 2016 | | |
| D.T. Bowyer | Chairman | Deputy Chairman / Chair of Risk Committee | 40 | 30 |
| I.J. Webb | Deputy Chairman | Senior Independent Director | 27 | 23 |
| D.C. Huntley ¹ | Senior Independent Director | - | 24 | 2 |
| M.W. Parrott | Chair of Audit and Compliance Committee | Chair of Audit and Compliance Committee | 31 | 28 |
| J.E. Pilcher ² | Chair of Risk Committee | - | 30 | 11 |
| H.E. Sachdev ³ | - | - | 15 | - |
| C.D. Clifford ⁴ | - | - | 4 | 22 |
| C.J. Martin ⁵ | - | - | - | 2 |
| S.P. Mellors ⁶ | - | Chairman | - | 38 |
| TOTALS | | | 171 | 156 |

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

² J.E. Pilcher joined the Board on 25 May 2016

³ H.E. Sachdev joined the Board on 1 March 2017

⁴ C.D. Clifford retired on 31 December 2016

⁵ C.J. Martin resigned on 20 November 2015

⁶ S.P. Mellors retired on 31 October 2016

Ian Webb

Chairman Staff and Remuneration Committee

15 December 2017

Notice of Annual General Meeting

Notice is hereby given that the 150th Annual General Meeting of the Loughborough Building Society will be held on Monday 26 February 2018 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 2017.
- 2 To approve the Directors' Remuneration Report for the year ended 31 October 2017.
- 3 To appoint Deloitte 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:
 - (a) To elect HELEN ELIZABETH SACHDEV
 - (b) To re-elect CAROLINE JOYCE
 - (c) To re-elect MICHAEL WILLIAM PARROTT
 - (d) To re-elect IAN JOHN WEBB

By order of the Board

Gary Brebner, Chief Executive and Secretary

31 December 2017

NOTES

1. These Notes form part of the Notice of Annual General Meeting.
2. Under the Society's Rules a member entitled to attend the Meeting and vote may appoint one proxy to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy, and your proxy does not have to be a member of the Society. Your proxy may vote for you at the Meeting but only on a poll. A poll is a formal vote which may take place after an initial vote by a show of hands. Your proxy may not speak at the Meeting, except to demand or to join in demanding a poll.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the proxy voting form.
4. The voting date is 5pm on Wednesday 21 February 2018 if you are voting by proxy or voting online, or Monday 26 February 2018 if you wish to vote in person at the Annual General Meeting.
5. In order to attend and vote at the Meeting, or appoint a proxy, you must qualify as eligible to vote. You are eligible to vote if:
 - (a) You will be aged 18 or over on 26 February 2018; and
 - (b) You owed at least £100 on a mortgage with the Loughborough Building Society or you held at least £100 in savings accounts with the Loughborough Building Society on 31 October 2017; and
 - (c) You will continue to owe at least £100 on a mortgage to the Society or hold savings with the Society from 31 October 2017 up to and including the voting date, 26 February 2018.

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

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

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

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

Directors seeking election or re-election



Helen Sachdev

Helen joined the Board as a Non-Executive Director in March 2017, and holds a number of appointments across the property and education sectors. With over 26 years' experience in Retail and UK Retail Banking, Helen brings a depth of experience, as well as customer led strategic thinking to the Society. Helen is a Fellow of the Chartered Institute of Management Accountants and is an accredited Ashridge Executive Coach. She lives in Buckinghamshire with her husband and is a mother of two grown up children.

"The landscape of home ownership in the UK is radically changing, and every building society is facing the challenge of how to adapt and continue to remain relevant as its customer needs evolve. I look forward to working with the Society as it plans and prepares to continue on this exciting journey."



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



Michael Parrott

Mike joined the Board as a Non-Executive Director in October 2014. He has over 30 years' experience of working in senior roles within the building society sector, most recently as Deputy Chief Executive and Finance Director at another regional society, from which role he retired in 2013. He is a Chartered Public Finance Accountant and is the Chairman of the Audit and Compliance Committee. He brings to the Society expertise in building society finance, particularly in relation to accounting and the management of balance sheet risk.

"I feel very privileged to have served on the Board of The Loughborough for the last three years. Although there are likely to be challenging economic times ahead, your Society is very well placed to enjoy a successful future and to continue to provide good value and excellent levels of service to you, the Society's members. With your support I am looking forward to continuing to play my part in the delivery of that successful future."



Ian Webb

Ian joined the Board of the Society in 2007. He works for Antalis, the leading global paper, packaging, visual communications and office supplies merchant. He has two key roles, one as Business Director of the Visual Communications Division and one as UK and Ireland Marketing Director. He is based in the UK head office in Markfield. Ian's prior positions include Marketing Director of Barratt Homes and Aggregate Industries Plc.

"It is a continued honour to serve the members of the Loughborough. Whilst the environment around us continues to change, whether it's Brexit, new products, new technologies or new challenges in the sector, the overriding constant is the professional management of the Society."

The staff and Board are hardworking, dedicated and constantly working with the best interests of the members at the forefront of their minds. I use my professional experience in ensuring we are all focused upon developing the Society for the future, building upon the significant success of the past."

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 the British Lung Foundation.

We will make a donation of 20p for every voting form we receive and 50p for every vote made online. If you would prefer us not to donate then you can opt out.

How to vote

You can vote:

ONLINE

Vote by 5pm on Wednesday 21 February 2018 at www.ersvotes.com/loughborough18

BY POST

Post your voting form to arrive no later than 5pm on Wednesday 21 February 2018.

IN BRANCH OR AGENCY

Drop your voting form into the ballot box at your local branch or agency by 5pm on Wednesday 21 February 2018.

IN PERSON

Join us at the AGM on Monday 26 February 2018 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

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

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

Important information for members

Tariff of charges from 1 March 2018

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 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 |

If you change your mortgage

| Name of charge | What this charge is for | How much is the charge |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <i>Change of repayment type and/or term</i> | If you extend or reduce the remaining term and/or change your mortgage repayment type on all or part of your mortgage. | £50 |
| <i>Variation of/ or change to title</i> | If you want to remove part of the property or land from the mortgage. It covers administration costs, including sealing the relevant legal deed and issuing letters of consent. We may need to instruct a revaluation of your property for which there will be an additional fee. | £100 |
| <i>Release of guarantor and/ or release or change of collateral security</i> | If you want to release the guarantor from your account and/or release or change the collateral security we hold for your mortgage account, we will need to reassess your circumstances. We will require you to pay this fee when you make your application. We may need to instruct a valuation for which there will be an additional fee. | £100 |
| <i>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. | £120 |
| <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>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: 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

Agency Offices

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

Tel: (01636) 815349 ● Email: southwell@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