



2016

Business Review and Summary Financial Statement

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“The Society is well positioned to achieve future success and to meet further regulatory demands. Our financial strength will enable us to respond to the uncertain economic and political environment.”

Kevin Wilson
Chief Executive



Hospitality team who looked after members visiting Leek United's marquee at Leek Show.



A team of ladies were winners at the Leek United Charity Golf Tournament in aid of Bloodwise.

Business Review

“The Society has a clear strategic plan and a position of financial strength which has been built up over many generations and we remain committed as ever to the traditional values”



Rachel Court,
Chair

In my first annual statement to you as Chair, I am pleased to report another year of strong performance and financial results for Leek United Building Society. Solid growth in both mortgages and savings have been delivered generating healthy levels of profit whilst maintaining our robust capital position.

Economic and Market Conditions

It is particularly pleasing to be able to report these results at a time when the economic picture remains so uncertain. The fallout from the EU referendum makes future economic conditions harder to predict than ever. Having been at a record low since 2009, interest rates in the UK were cut further in August 2016 to 0.25% and it remains unclear when they will begin to rise. Increasing inflation resulting from the fall in the value of the pound will put pressure on household finances and as Article 50, is triggered it may increase the strain if inflation is pushed up further. Increasing inflation may start to impact on interest rate decisions later this year.

The Strategy

We remain absolutely committed to our branch network but the Society has recognised for some time the changing way some of our customers want to engage with us. Therefore, the Society has invested in an online application system for mortgage intermediaries which it plans to develop to further enhance the member experience. These technological improvements are supplementary services for our members and sit alongside our branch based model. The Society has also entered into an agreement with a nationwide financial advice provider, Wren Sterling, to help our members plan for the future at their local branch. Members can now consult with Wren Sterling's independent advisers on all aspects of financial planning across the whole of the market.

Managing regulatory change is an ongoing requirement for all financial services organisations and 2016 has seen further regulatory requirements particularly in respect of savings. The Society continues to meet the demands of the regulator and is well placed to continue to do so in the future.



Cheque presentation of money raised from 2016 AGM voting and completed questionnaires to Douglas Macmillan Hospice.

The Board

In November 2016 Tony Hubbard, the Society's Operations Director, sadly passed away after a brave battle with leukaemia. Tony's hard work and contribution was immense and he will be sadly missed by his friends and colleagues across the Society.

2016 has seen changes in the Board's Non Executive Directors with Peter Kerns and Jim Washington retiring in April and Kerry Spooner stepping down in June. I am pleased to report three new Non Executive appointments to maintain the strength of the Board. Keith Abercromby joined the Board in March 2016, Jane Kimberlin and Colin Kersley joined the Board in November and December 2016 respectively. They bring a wealth of experience and considerable knowledge of the financial services sector.

The Future

We remain cautious, as the UK prepares to leave the European Union and with continuing global uncertainty there will undoubtedly be further challenges going forward. However, the Society has a clear strategic plan and a position of financial strength which has been built up

over many generations and we remain committed as ever to the traditional values of a mutual organisation and the building society model. With these strong foundations in place, we are well placed to deal with the circumstances that may arise.

Thanks

I would like to thank my fellow Board members and colleagues across the Society for their continued commitment and dedication. Finally and most importantly, I also extend my sincere thanks to you, our members, for your loyalty and support of the Society. I hope that you will be members for a long time to come and I look forward to seeing many of you at our AGM on 26 April.

Rachel Court

Chair

22 February 2017

Review of the year

	2016	2015
Group profit before tax	£3.5m	£4.5m
Group profit before tax and hedging adjustments	£3.8m	£4.4m
Group reserves	£58.0m	£58.7m
Group assets	£927.9m	£890.6m
Mortgage assets	£742.8m	£707.2m
Core tier 1 ratio	17.9%	18.7%
Management Expense Ratio	0.96%	0.90%



Kevin Wilson,
Chief Executive

Overview

I am pleased to be able to report that 2016 saw another strong performance by the Society and we end the financial year in a robust position.

This has been a year of solid growth in both the mortgage book and savings book. The Society has also maintained its strong liquidity position. Further investment has been made in the Society during 2016, particularly in technological advances to place us well for the future.

The Society seeks to generate sufficient levels of profit to support future growth, allow investment for the future and to maintain a robust capital position. Our wide range of competitive products combined with excellent levels of customer service has delivered a profit (before tax and hedging) of £3.8m compared to £4.4m in 2015. This slightly lower level of profitability reflects both challenges to our net interest margin as we have maintained savings interest rates above competitor levels as well as increased people costs in 2016 to position the Society better for the future. The 2016 capital position has been impacted by the year end pension valuation which is affected by market conditions. As a result, the reserves have reduced to £58.0m and

the core tier 1 ratio has reduced to 17.9% but the capital position remains strong. This robust position ensures the Society has a solid foundation for future growth and success.

Our other key financial ratios complete a strong financial performance.

Mortgages

The Society achieved mortgage balance growth of c£36m during 2016, representing an increase in balances of c5%. Gross lending of £152m was achieved, broadly in line with 2015's solid performance.

This level of growth year on year is a great success against the backdrop of a market where competition has intensified, particularly from the main high street banks. The Society's lending proposition continues its core focus on residential lending providing a range of fixed and discount mortgages primarily for owner occupiers but also for buy to let (BTL) landlords.

BTL lending experienced a surge in activity in the first quarter of 2016, as anticipated in the lead up to the second property stamp duty change. Further fiscal measures which will affect BTL landlords come into effect during 2017



Our biggest single charitable donation, presented to the County Air Ambulance Trust as a result of members investing in our Air Ambulance Account.

but as a Society, we continue to offer a range of products to support BTL lending.

Our mortgage book remains of high quality which continues to be evidenced by the low level arrears (0.17% arrears greater than 2.5% of the outstanding balance).

All our mortgage lending is individually underwritten and reviewed for suitability by an experienced team. Responsible lending is the key to the quality of our mortgage book and we are committed as always to managing arrears in a proactive manner with only one property being taken into possession during the year (2015: one property).

In late 2016, the Society launched a new online intermediary mortgage application platform with further enhancements planned this year.

Savings

The Society's savings balances increased by c4% during the year. I recognise the challenges facing our savings members in such a low interest rate environment and whilst we cannot isolate ourselves from the current economic climate, we have sought to provide rates that are both fair and sustainable. As a Society, we continue to offer preferential loyalty products for existing members and limit interest rate reductions as much

as possible. Unfortunately, during 2016 we had to take the difficult decision to reduce the rates on a selection of our savings accounts, especially in light of the cut in the Bank of England base rate. This decision was not taken lightly and was given careful consideration. I would like to extend my gratitude to our members for their continued loyalty and support to the Society.

Our affinity accounts with the County Air Ambulance and Stoke City Football Club allow our members to support their local communities through their savings which pay a percentage of the savings balances to the charity or local club.

Financial Investment Advice

During 2016, the Society changed the way it provides financial advice. Members can now consult with Wren Sterling's independent advisers on all aspects of financial planning – including savings, protection, investments, retirement and inheritance tax planning. The service offering we now provide to our members is primarily branch based with some phone support and includes a whole-of-market review for the best product to meet individual members' needs.

We also continue to offer buildings and contents home insurance for our members via our relationship with RSA.

Review of the year

(continued)

Leek St Edward Street branch raising funds for Children in Need with a Harry Potter theme.



Our Staff and Members

Sadly after a brave battle with leukaemia, Tony Hubbard, the Society's Operations Director, passed away in November 2016. Tony's enthusiasm and passion for the Society will leave a lasting impact on the business.

During the second half of 2016, the Society appointed Deloitte LLP to be the outsourced provider of Internal Audit services. Following this decision the Society's Internal Auditor, Ian Boston, left his position after 10 years' service. On behalf of the Society, I would like to thank Ian for his excellent contribution and wish him the very best for the future.

I recognise it is our people and the service they offer which makes the difference for our members and we have launched initiatives to develop talent and identify potential succession for future management roles. These initiatives include a Trainee Manager Programme, Trainee Branch Manager Programme and a Mortgage Adviser Academy where participants have undergone a structured in-house programme to support their career development.

In 2016, the Society also launched an Apprenticeship Programme and recruited

four local young people to work in our branch network and IT department whilst also attending college to study for a relevant qualification to support them achieving their career aspirations and potential.

Each of these programmes have been a great success and we will be aiming to provide similar opportunities going forward.

I am pleased to welcome John Kelly to our executive team as Operations Director. John brings wide ranging experience and knowledge across financial services.

At Leek United Building Society, the customer really is at the heart of everything we do. The Society closely monitors all feedback and whilst we are by no means complacent, customer service has once again been a resounding success during 2016 with 98.7% of customers satisfied or very satisfied.

Community

As a mutual, we remain committed to supporting our local communities in which our branch network operates. We have continued to give something back to the community through a wide range of sponsorship and community activities. We are proud to be the main sponsor of the Leek Show, the premier agricultural



Proudly securing our position as Leek Show's main sponsor until 2022.

event in our Staffordshire Moorlands heartland which brings thousands of families and local businesses together each year. We are delighted to have extended our support for the show until 2022, further strengthening our long running links with the event and guaranteeing its future into the next decade.

During 2016, colleagues across the Society took part in a wide variety of charity events including a wing walk, 150 mile coast to coast bike ride, 'Pretty Muddy' Race for Life and SCFC 'Big Sleepover'. Staff have also raised over £5,000 during 2016 for Bloodwise, a charity which funds research and offers information and support to anyone affected by blood cancer, and will continue to support this cause in 2017.

The Society continues to develop links with local schools. During the year, staff regularly visited schools to teach youngsters the benefits of developing good savings habits from an early age. Staff also attended careers events to highlight opportunities for young people in the years to come as well as providing regular work experience placements for students.

Outlook

The Society is well positioned to achieve future success and to meet further

regulatory demands. Our financial strength will enable us to respond to the uncertain economic and political environment. The Society looks forward to 2017 and to serving the interests of our customers and members for many years to come.

Kevin Wilson

Chief Executive

22 February 2017



The winner of our Christmas poster competition being presented with a framed version of her winning design.

Corporate Governance Report

The UK Corporate Governance Code (the Code) is a set of principles of good corporate governance predominantly aimed at listed companies. The Prudential Regulation Authority states that building societies should have regard to the Code when establishing and reviewing their own corporate governance requirements. The Code does not directly apply to mutual organisations, however, the Board confirms that the Society has appropriate regard to the Code, including the revisions effective from April 2016, as set out in this report.

The Board

The Board sets the overall strategic aims and objectives for the Society. As such, it is the Board's responsibility to ensure that the resources are in place to enable the Society to meet these objectives, as well as review management performance to support delivery of the corporate plan objectives. The Board also has responsibility to ensure that an effective framework of prudent and effective controls is in place for risk management.

The Society's Board is accountable to members for the careful direction of Society affairs, safe stewardship of funds held on members' behalf and the provision of high quality products and services which meet the needs of individual members whilst offering a fair deal to all.

There is a schedule of decisions which can only be made by the Board, the

Board meets at least monthly, with the exception of August and as such there are a minimum of 11 meetings each year together with additional days focussed specifically on strategy. The Non Executive Directors meet regularly without the Executive Directors present.

There have been changes to the Executive and Non Executive Directors in 2016 with Peter Kerns and Jim Washington retiring from the Board in April 2016 and Kerry Spooner resigning from the Board in June 2016. Keith Abercromby, Jane Kimberlin and Colin Kersley were co-opted to the Board in March, November and December 2016 respectively. At the end of 2016, the Board consisted of six Non Executive Directors and two Executive Directors.

Certain responsibilities are delegated by the Board to be the responsibility of the executives and management of the Society either collectively or individually. The Board has agreed a management structure to create strong corporate governance in the Society and the Group, with greater and clearer accountability. In addition, the Board has set up certain sub-Committees to which it has delegated certain powers. Each of the Board Committees has Board approved Terms of Reference, which are published on the Society's website. The Board receives recommendations from the Committees within their Terms of Reference and the minutes of the Committee meetings are reported to the Board. The structure is shown on the next page:



Board Risk Committee

The role of the Board Risk Committee (BRC), a sub-committee of the Board, assists the Board in carrying out its responsibilities relating to Risk and Compliance in the Society:

- To provide assurance to the Board of the independence and quality of the risk and compliance functions.
- To review, challenge and approve the Risk Management Framework.
- To provide specialist advice to the Board and other Committees in assessing Prudential and Conduct risks including those arising from the Corporate Planning process and major new business initiatives.
- To ensure the Society has in place an adequate stress testing framework to identify, measure and limit extreme risk (unexpected risk).
- To review, challenge and recommend to the Board for approval the risk appetite statement and supporting risk

appetite metrics, ensuring these are linked to stress tests as well as actual and forecast profit, capital and liquidity capacity.

- To provide assurance to the Board that the Society maintains sound risk management and internal control systems.
- To provide assurance to the Board that the Society is up to date with regulatory risk requirements and is adhering to best practice in risk measurement methodologies and risk management practice.
- To review, challenge and recommend to the Board for approval the Internal Capital Adequacy Assessment Process (ICAAP) document.
- To review and approve the terms of reference of the Management Risk Committee (MRC) and the Asset and Liability Committee (ALCO).
- To receive a report summarising any fraudulent activity identified against the Society and on accounts of customers of the Society, ensuring any fraud investigations are performed effectively.

At 31 December 2016, the BRC comprised Richard Goddard (Chair), Keith Abercromby, Rachel Court, Jane Kimberlin and John Leveson.

The BRC is supported by the Management Risk Committee (MRC) and the Asset and Liability Committee (ALCO).

The MRC's main responsibility is to assess the management of operational, credit and conduct risk together with legal and regulatory risk across the Group. Responsibilities of the MRC also include ensuring the detailed application of the Risk Management Framework and the development of key risk policies and indicators.

Corporate Governance Report

(continued)

The ALCO supervises the Group's Treasury and financial risk management activities and advises and supports the Finance Director in carrying out his responsibilities, including the identification, management and control of the balance sheet risks and the overview and monitoring of relevant risk control frameworks. Management of market, liquidity and strategic risk has been delegated to the ALCO.

Board Audit Committee

The Board Audit Committee (BAC), a sub-committee of the Board, assists the Board in carrying out its responsibilities as follows:

- To review the effectiveness of the Society's first and second lines of defence, internal controls and risk management systems established by management, to identify, assess, manage and monitor financial and non-financial risks, for ensuring compliance with the regulatory environment in which the Society operates.
- To review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management, including all aspects of the first and second lines of defence.
- To review the adequacy and security of the Society's arrangements for its employees and contractors to raise concerns in confidence about possible wrong doing in financial reporting or other matters.
- To approve the appointment or removal of the Society's Internal Auditor and monitoring the effectiveness of the

Internal Audit function in its operation of the third line of defence.

- To monitor the integrity of the financial statements of the Society, reviewing any significant financial judgements contained therein.
- To review the Pillar 3 disclosure and recommend to the Board for approval.
- To oversee the appointment, reappointment and removal process of the external auditor; reviewing their performance, objectivity and independence.

At 31 December 2016, the Committee comprised Richard Goddard (Chair), Keith Abercromby, Colin Kersley and John Leveson.

Remuneration Committee

The Board has established the Remuneration Committee to which it has delegated the following responsibilities:

- To review the overall remuneration policy for the Society.
- To approve appropriate levels of remuneration and conditions for Executive Directors and the Head of Risk and Compliance.
- To set the level of fees payable to the Chair of the Board.
- To approve any incentive schemes (excluding those that relate to Executive Directors which are referred to the Board).



A team of ladies from Leek United took part in the 'Pretty Muddy' Race for Life event at Central Forest Park in Hanley in 2016.

- To establish the parameters within which the Executive Directors are to conduct negotiations with employee representatives recognised by the Society for the purpose of setting the general level of remuneration and conditions of employment for all other employees.

The Committee makes an annual report to members which can be found on page 20. The Committee is composed entirely of Non Executive Directors and as at 31 December 2016, comprised John Leveson (Chair), Rachel Court and Jane Kimberlin.

Nominations Committee

The Board has established the Nominations Committee to which it has delegated the following responsibilities:

- To ensure that appropriate arrangements are in place for the recruitment and selection of suitably qualified persons to act as Directors (both Non Executive and Executive) of the Society.
- To ensure that a 'Board Succession Plan' is in place in order to facilitate that recruitment and that the Board remains 'fit for purpose' in terms of skills, knowledge, expertise and experience required at any given time.
- To periodically review the structure, size and composition of the Board including a review of the skills, knowledge and experience mix of the members of the Board in order to ensure that such mix remains relevant to the business of the Society at any given time.
- To identify any role other than that of Director for which the Committee

deems it appropriate to assume responsibility for the recruitment and selection of a suitable candidate for any and all such roles.

At 31 December 2016, the Committee comprised Rachel Court (Chair), Richard Goddard, Colin Kersley and Kevin Wilson.

Division of Responsibilities

The offices of Chair and Chief Executive are held by different people, with a clear division of responsibilities which are set out in writing and agreed by the Board. The Chief Executive has responsibility for managing the Society in line with strategies, policies and delegated authorities as agreed by the Board.

The Chair

The Chair is responsible for leadership of the Board and ensuring the Board's effectiveness in all aspects of its role. In addition, the Chair sets the direction and culture of the Board, promoting a culture of openness and fairness by facilitating effective debate and contribution and maintaining constructive relationships between the Executive and Non Executive Directors. The Chair also ensures that Directors receive accurate, timely and clear information.

The Society's current Chair, Rachel Court, was appointed as a Non Executive Director in November 2014. During April 2016, she was elected to be the Chair of the Board following the retirement of the former Chairman. Rachel Court has never been chief executive or an employee of Leek United Building Society.

Corporate Governance Report

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Non Executive Directors

Over the course of the year, the Non Executive Directors participate in regular discussions about matters of strategic importance. They also attend a Board Strategy day on an annual basis with the Executive Directors to identify, debate and assess the strategic options available to the Society. Using the options identified, a five year Corporate Plan is prepared by the Society's management and Executives which is subject to rigorous challenge by the Non Executive Directors.

The Senior Independent Director of the Society provides a sounding board for the Chair and serves as an intermediary for the other directors where necessary. The Senior Independent Director also has responsibility for leading Non Executive Directors in the performance appraisal of the Chair and to act as a contact for any member who may feel that contact with the Chair or Chief Executive would not be appropriate.

The Senior Independent Director for the Society is Richard Goddard who is pleased to act as an alternative contact point for members.

The Composition of the Board

At the end of 2016, the Board consisted of six Non Executive Directors and two Executive Directors.

The composition of the Board is reviewed at regular intervals (at least annually on a

formal basis) and changes progressively over time in a planned manner and in line with the good practices specified in the Code. The Board is responsible for ensuring that any subsidiary Board has the appropriate range of skills, expertise and experience, particularly where a non-core activity is carried out in a subsidiary.

Responsibility for issues relating to Board composition and succession planning is delegated to the Nominations Committee.

The Board considers that all Non Executive Directors are independent and carry out their duties with complete objectivity. The Board has no Non Executive Directors whose service exceeds six years. All directors are required to submit themselves for re-election at least once every three years.

Appointments to the Board

The Nominations Committee has responsibility for ensuring that appropriate arrangements are in place for the recruitment and selection of suitably qualified persons to act as directors (both Non Executive and Executive) of the Society. The Committee maintains a 'Board Succession Plan' in order to facilitate that recruitment and that the Board remains 'fit for purpose' in terms of the skills, knowledge, expertise and experience required at any given time.

The Society uses independent executive search and selection agencies, to support the recruitment of Non Executive Directors. In 2016, the Society used Warren Partners

and Miles Partnership for the recruitment of Non Executive Directors; the Society's only connection with Warren Partners and Miles Partnership is for recruitment and selection. Careful consideration is given to the combined skills, experience and diversity of existing Board members in making new appointments to the Board. As relevant to their individual role, all directors conform to the requirements of the Senior Managers Regime governed by the Financial Conduct Authority and Prudential Regulation Authority and pass the 'fit and proper' test specified. All directors are also subject to election by members at the AGM following their appointment.

The Society believes that diversity amongst Board members is of value and this is

considered alongside the key requirements of relevant knowledge, skill and expertise to perform effectively as a member of the Board. It is the Society's policy to make appointments to the Board without regard to age, ethnic origin, creed, marital status, disability, sexual orientation and religion or belief.

Commitment

Directors are informed of the expected time commitment in their letter of appointment and undertake that they have sufficient time to meet what is expected of them.

The attendance record during the year of Board and Committee members is set out below:

Name	Board	Audit	Risk	Nominations	Remuneration
Keith Abercromby (from 23/03/16)	9 (9)	4 (4)	6 (6)	-	-
Rachel Court	11 (11)	-	9 (9)	5 (5)	7 (7)
Richard Goddard	11 (11)	5 (5)	9 (9)	2 (2)	-
Tony Hubbard (to 30/11/16)	8 (10)	-	-	-	-
Peter Kerns (to 27/04/16)	3 (3)	-	-	3 (3)	2 (2)
Colin Kersley (from 21/12/16)	1 (1)	-	-	-	-
Jane Kimberlin (from 23/11/16)	2 (2)	-	2 (2)	-	1 (1)
John Leveson	11 (11)	5 (5)	5 (6)	-	7 (7)
Kerry Spooner (to 15/06/16)	5 (5)	-	3 (3)	3 (3)	2 (2)
Jim Washington (to 27/04/16)	3 (3)	1 (1)	3 (3)	3 (3)	-
Kevin Wilson	11 (11)	-	-	6 (6)	-
Paul Wilson	11 (11)	-	-	-	-

Figures in brackets denote number of meetings for which eligible to attend during the year.

Corporate Governance Report

(continued)

Development

On appointment, directors are given an individual induction programme and appropriate training. All directors participate in a programme of training and professional development designed to keep their knowledge and skills up to date in a fast changing, highly regulated business environment. Training and development needs are also identified as part of the annual appraisal process.

Information and Support

The Chair ensures that the Board receives sufficient accurate, timely and clear information to enable it to discharge its duties. If necessary, all Non Executive Directors are entitled to obtain independent professional advice at the Society's expense.

Performance Evaluation

A formal system of Board appraisals is in place and each director's personal contribution to Board proceedings and Society progress in the year has been the subject of rigorous review by the Chair. Performance evaluation of the Chair has been conducted by Non Executive Directors led by the Senior Independent Director and taking account of the views of the Executive Directors.

The overall effectiveness of the Board and its Committees is monitored throughout the year and is subject to formal review on an annual basis. This evaluation encompasses the balance of skills, experience, independence and knowledge of the Society's Board,

together with its diversity and gender balance, how the Board works together as a unit and other factors relevant to its effectiveness. During 2015, the Society engaged Deloitte LLP to perform an external and independent review of Board effectiveness. No significant issues were identified. Subsequently, during the second half of 2016, Deloitte LLP have also been appointed to be the outsourced provider of Internal Audit services. The Board are satisfied that Deloitte LLP provide these services on an independent basis.

Re-election

Non Executive Directors with over nine years' service are required to offer themselves for re-election on an annual basis. All directors are required to submit themselves for re-election at least once every three years.

Financial and Business Reporting

The Board and Audit Committee believes that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for Members to assess performance, strategy and the business model of the Society. The Statement of Directors' Responsibilities sets out the Board's responsibilities in relation to the preparation of the Annual Report and Accounts. Business performance is reviewed in the Chair's Statement, Chief Executive's Business Review and the Strategic Report. The accounts have been prepared under the going concern principle.



Supporting Stoke City Football Club Community Trust's 'Big Sleep Out' to highlight the plight of the homeless.

The Audit Committee has considered the Annual Report and Accounts and considered the key judgmental items in relation to the financial statements for 2016 including:

- The provision required for both individual and collective mortgage provisions. This is assessed on the level of arrears and forbearance on customer accounts. The key judgments are the level of loans that will actually default as well as expected levels of loan exposure compared to expected levels of security including mortgage indemnity insurance where relevant.
- The provision relating to the Financial Services Compensation Scheme (FSCS) levy. This estimate is based on publically available information at the time, in respect of the levy for 2016 and future years. It is affected by the Society's market share of protected deposits and the interest requirements of the FSCS.
- The assumptions utilised in the valuation of the defined benefit pension scheme. This is particularly sensitive to asset valuations as well as expectations of long term corporate bond yields, inflation and mortality. Management appointed a third party specialist for the valuation of the defined benefit pension scheme which included advice on the assumptions to use and the sensitivities of those assumptions. The Committee were satisfied that the pension assumptions were within an appropriate range by reviewing

the sensitivities and benchmarking with external data and with other organisations.

- The assumptions, basis and sensitivities for fair values of derivatives and financial assets, hedge accounting and effective interest rate adjustments.

The Committee reviewed and challenged the assumptions, estimates, risks and sensitivities for each accounting estimate and was satisfied that the provisions were towards the prudent end of the range of sensitivities and that they were appropriately dealt with in the accounts.

Risk Management and Internal Control

The Society uses the Risk Management Framework as part of our strategy to manage risk proactively in accordance with our prudent risk appetite stance.

During 2016, the Society's Principal Risks were managed through the following Committees:

Board	Board Risk Committee	
	Management Risk Committee	Asset & Liability Committee
Pension Risk	Operational Risk	Market Risk
	Conduct Risk	Liquidity & Funding Risk
	Legal & Regulatory Risk	Strategic Risk
	Credit Risk	

Corporate Governance Report

(continued)

The Board own and approve the risk appetite, for the Society including the Risk Management Framework. The Risk Management Framework identifies the process, ownership, responsibilities and the risk oversight required to support effective implementation across the Society.

The Society operates a 'three lines of defence' governance model, as shown below, to ensure appropriate responsibility is allocated to the management, reporting and escalation of risks. Supervision and direction is facilitated by the operation of a number of Board Committees, which meet regularly to consider issues specific to key business areas.

The Board has identified a number of principal risks and uncertainties that could threaten its business model, future performance, solvency or liquidity. These risks together with the way in which they

are mitigated, are included within the 'Principal Risks and Uncertainties' Section of the Strategic Report in the Annual Report and Accounts.

Audit Committee and Auditors

The role of the Audit Committee is set out on page 12. The Committee comprises four members, all of whom are Non Executive Directors, and meets at least four times a year, and where appropriate, this coincides with key dates in the Society's financial reporting cycle. At least annually, the Committee meets with the external and internal auditors without the Executive Directors present. The Society has an Audit Committee approved policy on the provision of non-audit service by the auditor. The policy reflects the requirements of the UK Corporate Governance Code and legislation on EU



Cheque presentation of money raised from 2016 AGM voting and completed questionnaires to The Donna Louise Trust.



Leek United
BUILDING SOCIETY

Audit Reform. This sets out both qualitative and quantitative criteria on the relevant services and governance procedures.

The Committee assesses the effectiveness of the external audit process through a combination of feedback from Committee members and Society management, completion of standard questionnaires and other external independent information where available. The external auditor, PricewaterhouseCoopers LLP, has been engaged by the Society since the audit of the 1998 financial statements. The Committee, therefore, undertook an external tender process during 2016 to review the Society's external auditor engagement and with effect from the 2017 financial statements KPMG LLP will be appointed subject to member approval at the AGM.

During 2016, the Audit Committee invited applicants to tender for the Society's internal audit. The Audit Committee performed a rigorous and robust assessment of relevant parties and as a result, the Audit Committee appointed Deloitte LLP as the Society's internal auditors. Deloitte LLP provides independent and objective assurance regarding the design and performance of risk management systems and controls.

Remuneration

The Directors' Remuneration Report is set out on page 20.

Dialogue with Shareholders

As a mutual organisation, the Society has members rather than shareholders. The views of new and existing members are sought by individual questionnaires during

the year. Member Forums are held each year when the Chief Executive supported by the Chair and other Executive Directors gives a presentation on the main business developments. The members present at the forum are given the opportunity to raise questions to the directors and senior management. The Society also has a Senior Independent Director providing a further means by which members can communicate with the Society.

Constructive use of the Annual General Meeting (AGM)

The Society sends details of the AGM to all members who are eligible to vote. Members are encouraged to vote or appoint a proxy vote if they cannot, or chose not to, attend the AGM. For wider customer choice, the Society has provided access to members to be able to vote on-line. A donation to charity is made for each vote cast.

All members of the Board are present at the AGM (unless their absence is unavoidable). The Chair of each of the Committees is, therefore, available to answer questions raised by members.

On behalf of the Board of Directors

Rachel Court

Chair

22 February 2017

Directors' Remuneration Report

The Society's Remuneration Committee is composed solely of Non Executive Directors. The Committee's principal responsibilities are to review and recommend to the Board the overarching remuneration policy for the Society as a whole, determine the overall increase that is appropriate in respect of the annual review of salaries, approve the specific level of remuneration for Executive Directors and the Head of Risk and Compliance, a Senior Manager, set the level of fees payable to the Chair of the Board and approve any incentive schemes (excluding those that relate to Executive Directors which are referred to the Board). In determining remuneration, the Committee considers the guidance in the UK Corporate Governance Code April 2016 (the Code) and applies the FCA Remuneration Code.

The Level and Components of Remuneration

Executive Directors

The main elements of each Executive Director's remuneration package are - basic salary, pension benefits, private medical insurance and the provision of a company car or car allowance. A performance related pay scheme is in operation for all staff in the Society, and the Executive Directors participate in this scheme. The scheme has robust performance measures based on the Society's performance, and results in a maximum payment of £1,000 per annum regardless of salary. The full payment of £1,000 has been awarded to all qualifying staff for 2016, payable in March 2017. The Chief Executive is a member of the Leek United Building Society Pension and Assurance Scheme, which closed for future accrual on 24 April 2013. Both the Chief Executive and Finance Director are members, and the Operations Director was a member, of the defined contribution

stakeholder pension scheme. With effect from June 2015, the Chief Executive elected to receive the equivalent contribution to that provided in the defined contribution scheme in the form of a cash allowance.

The Corporate Governance Code recommends that an Executive Director's service contract period should be set at 12 months or less and the contractual notice period for all Executive Directors conforms to this limit.

Non Executive Directors

Non Executive Directors receive fees for the provision of their services, including additional fees for Chairmanship of Committees as well as reimbursement of relevant expenses. They do not have service contracts and do not receive any other benefits, bonus or pension entitlement. They are subject to tri-annual re-election by the members at an Annual General Meeting and those who continue beyond a third three year term are subject to annual re-election thereafter.

The Procedure for Determining Remuneration

The remuneration of the Executive Directors is determined by the Remuneration Committee which comprises of a minimum of three Non Executive Directors (at 31 December 2016: three Non Executive Directors) and in addition the Chief Executive and Finance Director attend by invitation but take no part in the discussion of their own salary. The Committee meets a minimum of four times a year.

In determining the remuneration of Non Executive and Executive Directors, both the Board and the Remuneration Committee take account of fees and salaries payable and other benefits provided to Non Executive Directors, Executive Directors and Chairmen of building societies that are similar in size and complexity to Leek United Building Society.

Directors' Remuneration

The table below summarises directors' pay and benefits for the year ended 31 December 2016.

	2016					2015				
	Salary/ Fees £000's	Benefits /Other (iii) £000's	Sub Total £000's	Pensions £000's	Total £000's	Salary/ Fees £000's	Benefits /Other (iii) £000's	Sub Total £000's	Pensions £000's	Total £000's
Non Executive Directors (NEDs) (iv)										
Peter Kerns (to 27/04/16)	13	-	13	-	13	34	-	34	-	34
Rachel Court (i)	35	-	35	-	35	23	-	23	-	23
Richard Goddard	35	-	35	-	35	28	-	28	-	28
Derek Lyons (to 22/04/15)	-	-	-	-	-	9	2	11	-	11
Jim Washington (to 27/04/16)	9	-	9	-	9	28	-	28	-	28
John Leveson (from 19/05/15)	25	1	26	-	26	14	1	15	-	15
Kerry Spooner (from 19/05/15 to 15/06/16)	13	-	13	-	13	14	1	15	-	15
Keith Abercromby (from 23/03/16)	18	1	19	-	19	-	-	-	-	-
Jane Kimberlin (from 23/11/16)	3	-	3	-	3	-	-	-	-	-
Colin Kersley (from 21/12/16)	1	-	1	-	1	-	-	-	-	-
Executive Directors										
Kevin Wilson (ii) (iii)	205	46	251	-	251	197	30	227	12	239
Tony Hubbard (to 30/11/16)	88	7	95	13	108	93	8	101	14	115
Paul Wilson (iii)	130	11	141	20	161	125	11	136	19	155
	575	66	641	33	674	565	53	618	45	663

(i) Appointed as Chair from 27 April 2016. Full year Chair's fee for 2016 was £39,000 (see iv below)

(ii) With effect from June 2015, Kevin Wilson with agreement from the Society took his pension contribution as cash allowance

(iii) Includes £1,000 bonus for Executive Directors in post at 31 December 2016 and 31 December 2015 respectively

(iv) In addition to basic annual fees, NEDs receive increments for additional responsibilities. These are included in the table above for the relevant

period by individual. These can include situations where an individual performs multiple responsibilities concurrently

Member Consultation

The Directors' Remuneration Report will be the subject of an advisory vote at this year's AGM.

John Leveson

Chair of the Remuneration Committee
22 February 2017

Summary Financial Statement

For the year ended 31 December 2016

The Summary Financial Statement is a summary of information in the audited Annual Accounts, 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 Leek United Building Society from 12 April 2017.

Approved by the Board of directors on 22 February 2017

Rachel Court Chair

Kevin Wilson Chief Executive

Paul Wilson Finance Director

Summary Directors' Report

Financial Performance

Total Assets

The total assets of the group at the end of 2016 were £928m, an increase of £37m in the year.

Profit and Capital

The profit after tax of £2.8m was transferred to the general reserve.

Management Expenses

The management expenses ratio was 0.96% for 2016 (2015: 0.90%).

Liquid Assets

Liquid assets in the form of cash securities amounted to £180.3m, representing 21.0% (2015: 20.8%) of shares and borrowings.

Loans and Advances

The total amount outstanding on loans and advances, including mortgages at the end of the year was £742.8m representing growth of 5%.

Shares and Deposits

Investors' and depositors' balances at 31 December 2016 totalled £858.4m, representing growth of 4%.

Interest Rates

The residential mortgage base rate was 5.19% throughout the year.

Summary Statement

Group Results for the year	2016 £000's	2015 £000's
Interest receivable	20,665	22,986
Interest payable	(8,781)	(10,818)
Net interest receivable	11,884	12,168
Other income and charges	791	832
Net gain/(loss) from derivative financial instruments	(264)	91
Administrative expenses and depreciation	(8,718)	(8,135)
Net finance credit on pension scheme	(82)	(87)
Net impairment losses on loans and advances	7	(203)
Financial Services Compensation Scheme levy	(123)	(150)
Profit for the year before taxation	3,495	4,516
Taxation	(714)	(916)
Profit for the year	2,781	3,600
Financial position at the end of the year	2016 £000's	2015 £000's
Assets		
Liquid assets	180,328	171,800
Loans and advances to customers	742,844	715,182
Fixed and other assets	4,720	3,665
Total assets	927,892	890,647
Liabilities		
Shares	836,578	805,115
Borrowings	21,781	20,360
Other liabilities	5,512	3,617
Net pension liabilities	5,994	2,845
General Reserve	56,894	57,771
Available for Sale Reserve	126	(28)
Revaluation Reserve	1,007	967
Total liabilities	927,892	890,647
Summary of key financial ratios	2016 %	2015 %
1. Gross capital as a percentage of shares and borrowings	6.76	7.11
2. Liquid assets as a percentage of shares and borrowings	21.01	20.81
3. Profit for the year as a percentage of year-end total assets	0.30	0.40
4. Management expenses as a percentage of mean total assets	0.96	0.90

Gross capital as a percentage of shares and borrowings measures the proportion which the Group's capital bears to the group's liabilities to holders of shares, depositors and other providers of funds (investors).

The Group's capital consists of profits accumulated over many years in the form of reserves together with the revaluation reserve. Capital provides a financial cushion against any losses which might arise from the Group's activities and therefore protects investors.

The **liquid assets ratio** measures the proportion that the Group's assets, which are held in the form of cash, short-term deposits and securities readily convertible into cash, bears to the Group's liabilities to investors.

Most of the Group's assets are long-term mortgages, while many of its liabilities to investors are repayable on demand. Liquid assets are generally readily realisable, enabling the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

The **profit/assets ratio** measures the proportion that the group's profit after taxation for the year bears to the Group's total assets at the year end.

The Group needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors. However, a building society does not have to pay dividends to equity shareholders as a company does. The Group is therefore able to operate safely with lower margins than a bank.

The **management expenses ratio** measures the proportion that the group's administrative expenses bear to the average of the group's total assets during the year. Management expenses consist mainly of the costs of employing staff and of running the society's branches. Expenses need to be controlled so that the group operates as efficiently as possible while providing the service that members require.

Independent Auditors' Statement to the Members of Leek United Building Society

We have examined the Summary Financial Statement of Leek United Building Society (the 'Society') set out on pages 22-23, which comprises the Group results for the year, the financial position as at 31 December 2016 and the summary of key financial ratios.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, the Annual Business Statement and the Directors' Report and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made under it.

We also read the other information contained in the Business Review and Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the Business Review, Review of the Year, Directors' Remuneration Report and the Corporate Governance Report.

This statement, including the opinion, has been prepared for and only for the Society's members as a body in accordance with

Section 76 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts. Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those Annual Accounts, the Annual Business Statement and the Directors' Report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Leek United Building Society for the year ended 31 December 2016 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Manchester

22 February 2017

Information relating to directors as at 31 December 2016

Name/ Date of Birth	Occupation	Date of Appointment	Other Directorships
 Keith Abercromby BSc, FIA 05/03/64	Non Executive Director	23/03/16	
 Rachel Court JP, BA 27/06/66	Non Executive Director	26/11/14	South West Yorkshire NHS Foundation Trust Invesco Perpetual Life Ltd Invesco UK Ltd Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd
 Richard Goddard MA, FCA 09/06/57	Finance and Risk Consultant	23/11/11	RCG Business Consultancy Ltd
 Jane Kimberlin BA, FIOD 25/09/59	Non Executive Director	23/11/16	Creton Consultants Limited
 John Leveson MBA, FCIB 04/09/59	Non Executive Director	19/05/15	Queen Elizabeth Grammar School, Penrith
 Colin Kersley 20/10/56	Non Executive Director	21/12/16	
 Kevin Wilson 20/12/58	Building Society Chief Executive	01/10/98	Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd
 Paul Wilson BSc, ACA 02/04/71	Building Society Finance Director	07/07/14	None

Documents may be served on the above named directors c/o Bowcock and Pursall, P.O. Box No.1, 54 St Edward Street, Leek, Staffordshire, ST13 5DJ

Kevin Wilson and Paul Wilson have 12 months or less rolling service contracts.
The Non Executive Directors do not have service contracts



01

01 Pictures that tell stories of bravery, hope and love - produced by local children who have complex, life-limiting or life-threatening conditions and their families during art therapy sessions at The Donna Louise Hospice - were on display at Leek Derby St branch for three months.

02 Leek United's Products Manager, Dan Berrisford, fundraising prior to taking part in Great Wall of China Marathon in May 2017 in aid of the Stroke Unit at Royal Stoke University Hospital and Bloodwise.

03 Leek Derby St branch actively took steps (41,370) to raise funds for national Sport Relief on Friday 18 March 2016.

04 Leek United is working with local junior schools to promote the importance of saving.

02



03



04

Registered Principal Office

50 St. Edward Street
Leek, Staffordshire, ST13 5DL

Registered No.

323B

Directors

Keith Abercromby BSc, FIA
Rachel Court JP, BA
Richard Goddard MA, FCA
Jane Kimberlin BA, FIoD
Colin Kersely
John Leveson MBA, FCIB
Kevin Wilson
Paul Wilson BSc, ACA

Chair

Rachel Court JP, BA

Chief Executive

Kevin Wilson

Finance Director

Paul Wilson BSc, ACA

Internal Auditor

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B1 2HZ

Independent Auditors

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Chartered Accountants and
Statutory Auditors
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A member of the Building Societies Association

Authorised by the Prudential Regulation Authority and regulated by the
Financial Conduct Authority and Prudential Regulation Authority



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this paper is from renewable timber
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and is elemental chlorine free.