



2015

Business Review and Summary Financial Statement

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Directors

“In the face of increasing competition and regulatory demands, your Society has once again produced a solid performance with a strong level of profits which has further strengthened our capital position.”

Peter Kerns
Chairman

Business Review

“The Society continues to make significant investment in its future, both in terms of technology and people to ensure that we remain well placed to continue this success in future years.”



Peter Kerns,
Chairman

2015 has been another strong year for Leek United Building Society. Significant growth in our mortgage lending and healthy levels of profit have been achieved whilst maintaining our robust capital position. The Society's success is testament to the dedication of our staff and our commitment to the traditional values of the building society model and has been achieved despite the ongoing challenges facing the industry and the wider global environment.

The UK economy has slowed somewhat in 2015 but domestic growth remains relatively strong. The global outlook remains mixed with a gradual recovery during the year in the US and the Eurozone but uncertainty from the extent of the global growth slowdown emanating from China and increasing volatility in emerging markets generally. There has been a significant fall in oil prices in recent months, which, although benefitting many households and businesses, has a detrimental impact on the wider economy. Interest rates in the UK remain at a record low and look likely to remain at this level well into 2016, and probably beyond.

Further challenges include the return to substantial volumes of mortgage lending by the high street banks and new 'challenger' banks entering the market.

Within this uncertain economic picture and in the face of increasing competition and regulatory demands, your Society has once again produced a solid performance with a strong level of profits which has further strengthened our capital position.

Total mortgage balances have exceeded £700m for the first time, with £156m of new mortgage lending extended to customers. Our mortgage book remains of high quality and this growth has been delivered while seeking to ensure that borrowers can afford to meet their repayments even if interest rates rise significantly.

Mortgage customers have benefitted from low interest rates in recent years but we are mindful of the difficulties faced by our savings customers and we have sought, wherever possible, to set rates at equitable but sustainable levels whilst balancing what we pay to our savers against what we can earn on mortgages.



Donation to Donna Louise Children's Hospice from money raised at 2015 AGM and charity golf day.

The Society continues to make significant investment in its future, both in terms of technology and people to ensure that we remain well placed to continue this success in future years.

2015 has seen changes in the Board's Non Executive Directors, with Derek Lyons retiring in April and both John Leveson and Kerry Spooner joining the Board in May.

John Leveson and Kerry Spooner were both co-opted to the Board in May 2015. They both have extensive experience in the building society sector, with John bringing considerable operational skills to the Board and Kerry a wealth of legal and governance experience. Subject to election, Kerry will be appointed as Senior Independent Director following the AGM.

Jim Washington will be retiring following the Annual General Meeting after serving as a Non Executive Director for over ten years, including acting as Vice Chairman and the Society's Senior Independent Director. I am sure that everyone will join me in thanking Jim for his valuable contribution to the Society and in wishing him a long and happy retirement.

Following over six years of service, I will be retiring from the Board at the AGM and I am pleased to be handing over the reins to my colleague, Rachel Court, who I am confident will continue to lead the Society in its success. I would like to take this opportunity to thank my colleagues on the Board for their support and commitment. I would also like to extend my gratitude to you, our members, for your continued support.

Finally, I would like to thank the staff for their contribution and dedication to the Society and I am pleased to be able to retire from the Society knowing that it is well placed to meet the challenges of the future.

Peter Kerns

Chairman

24 February 2016

Review of the year

	2015	2014
Group profit before tax and hedging adjustments	£4.4m	£4.2m
Group profit before tax	£4.5m	£3.3m
Group reserves	£58.7m	£55.5m
Group assets	£890.6m	£907.2m
Mortgage assets	£707.2m	£668.6m
Core tier 1 ratio	18.7%	17.6%
Management Expense Ratio	0.90%	0.84%



Kevin Wilson,
Chief Executive

Overview

I am pleased to be able to report that 2015 was another strong year for Leek United Building Society and we continue to be in a robust financial position.

It has been a successful year for mortgage lending with mortgage balances ending the year above £700m for the first time in our history, representing growth of almost 6%. The Society has used some of its excess liquidity to fund these mortgages; while now reduced, liquidity remains strong. The careful management of our balance sheet and pricing has also resulted in an improved net interest margin.

There has been significant investment in the Society during 2015 but despite this there has been a slight increase in profit levels (pre hedging) in the year. Costs are an area of focus for the Society and we are committed to achieving an appropriate balance between long term investment in the business, providing high quality products and service to our members and maintaining careful cost control. The impact of hedge accounting year on year has led to an increase in the Group statutory profit before tax of £1.2m compared to 2014. Further explanation of the drivers of the hedge accounting

impact is provided in note 6 of the annual report and accounts. The Group focuses primarily on profitability before hedge accounting due to the short term, volatile and temporary nature of the hedge accounting adjustments.

Through delivering appropriate levels of profit, we continue to maintain a robust capital position. Reserves have grown to £58.7m, while the core tier 1 ratio improved to 18.7% (2014: 17.6%). The capital position remains strong and places the Society well for future growth.

Our other key financial ratios including liquidity and capital complete a solid financial performance.

Mortgage Lending

Mortgage balances have increased by £38m in the year to £707m. The Society has achieved £156m of gross lending to customers in the year which is a considerable increase compared to 2014 of £109m.

This growth is a great success as it has been achieved in an increasingly competitive environment, with major lenders pricing more aggressively after a period of consolidation and



Launch of Leek United partnership with Stoke City Football Club Community Trust

recapitalisation and also with a number of new challenger banks entering the market. The Society has continued its core focus on residential lending providing a range of fixed and discount mortgages primarily for owner occupiers but also for buy to let properties.

The book remains of high quality which is evidenced by the low level of arrears (0.09% arrears greater than 2.5% of the outstanding balance).

Each mortgage application is manually underwritten and reviewed for suitability by an experienced team. We are, and always have been, committed to responsible lending and arrears are managed in a proactive manner, with only one property being taken into possession during the year (2014: two properties). We continue to offer forbearance options to support customers who are in financial difficulty, helping customers who have temporary difficulties to get back on their feet and utilising repossession only as a last resort.

The Board remain as committed as ever to the values of a traditional Building Society and are continuing to make significant investment for the future. Investment in new technology will improve how both members and intermediaries can open their mortgage account. The Society will continue to develop the technology platform to

enhance the service to our members for the future. Whilst this investment will place pressure on our cost base, the Society is committed to balancing the need for long term investment with generating efficiencies from technology.

Savings

2015 has been another difficult year for savers, due to the continued low interest rate environment. Early 2016 has seen renewed turmoil in the global economy and weaker growth in the UK could now see the rise in interest rates being delayed until late 2016 or even into 2017.

I recognise that this has not been an easy time for savers and the Society remains committed to providing savings rates that are both fair and sustainable. During the year, the Society has had to take the difficult decision to reduce rates on a selection of savings accounts. This decision was not taken lightly and was given careful consideration. I wish to thank our members for their continued loyalty and support to the Society.

I am pleased to say that we have listened to member feedback and as a result the Society has launched Loyalty bond products during 2015, which have offered preferential rates to our existing members.

Review of the year

(continued)

Help a Signal Child cheque presentation – charity football match
Leek United Building Society v Signal Radio



Our Staff and Members

As the Society continues to grow and with increasing regulatory demands we have strengthened our resources to meet the needs of the Society, recruiting people to new roles bringing necessary expertise to complement the skills and knowledge of our experienced and long serving staff. During 2015, the Society has launched its Trainee Management Programme to identify high performance and top talent which can be further developed as potential succession for future managerial roles.

In line with our core values and beliefs the customer is at the heart of everything we do. The Society monitors customer feedback closely on an on-going basis, including the use of 'mystery shoppers' for all customer contact points. Customer satisfaction remains a fundamental objective for the Society and while we are by no means complacent the Society had a resounding success during 2015 with 97% of members classing themselves as 'satisfied' or 'very satisfied'.

The Society is committed to the communities in which our branch network operates, and as a mutual, it

is very important to us to support this local community through a whole host of community activities, events and sponsorships. The Society is proud to be the main sponsor of the Leek Show, a highly successful event bringing both families and business together in our heartland.

Our relationship with Stoke City Football Club has continued to go from strength to strength. Alongside the exclusive rights to provide a 'Save and Support' Affinity Savings Account, the Society is now a main supporter of the Stoke City Community Trust. This is a major initiative aimed at making a difference to the lives of local people. The partnership will be extended further in early 2016 with the launch of Stoke City mortgages.

Our staff took part in a wide variety of charity events, including: the 'Pretty Muddy' Race for Life in aid of Cancer Research UK; a 15,000ft parachute jump for The Christie Hospital, Manchester; a 'Bubble Rush' obstacle course to raise money for East Cheshire Hospice; and a charity football match against Signal Radio presenters in aid of the station's 'Help A Signal Child' initiative.



The Society continues to develop links with local schools and colleges. During the year, staff visited schools to help instil the benefits of good savings habits from a young age and have attended careers events to highlight opportunities for young people in the years to come. The Society is also pleased to have been able to provide regular work experience placements for local students.

Outlook

Global economic and political uncertainty may present challenges in 2016 to the slow and steady recovery. Further challenges are likely with the return of major lenders after repairing their balance sheets and also with a number of new challenger banks entering the mortgage market.

The Society is well placed for the future to meet regulatory challenges and to respond to the uncertain economic environment. The Society looks forward to 2016 and to serving the interests of our customers and members for many years to come.

Thank you

This has been another successful year for the Society, which would not have been achieved without the hardwork and

dedication of our staff. Once again they have worked tirelessly to deliver excellent service to our members, as well as giving their own time and money to support charities in our community and I would like to personally thank them for their positive contribution.

I would also like to pay tribute to Peter Kerns, the Society's Chairman and Jim Washington, the Society's Vice Chairman, who will retire from the Board at the forthcoming AGM. Peter has served on the Board for 6 years with outstanding commitment becoming Chairman in April 2013 and Jim has served on the Board for 10 years. On behalf of the Society, I would like to thank them both for their excellent contribution and wish them the very best for the future.

Finally and most importantly thank you to you, our members, for your continued support and loyalty.

Kevin Wilson

Chief Executive

24 February 2016

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 state 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 1 October 2014, as set out in this report.

The Board

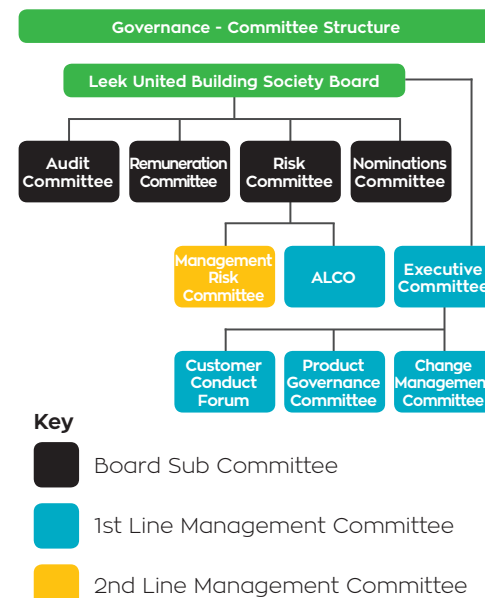
The Board sets the overall strategic aims and objectives for the Society. As such it is the Board's responsibility to ensure that the resources are in place to enable the Society to meet these objectives, as well as review management performance to support delivery of the corporate plan objectives. The 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 and as such there are a minimum of 12 meetings each year together with an additional day focussed on strategy. The Non Executive Directors meet regularly without the Executive Directors present.

There have been changes to the Non Executive Directors in 2015 with Derek Lyons retiring from the Board in April 2015 and both John Leveson and Kerry Spooner being co-opted to the Board in May 2015. At the end of 2015 the Board consisted of six Non Executive Directors and three 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 2015, the BRC comprised Richard Goddard (Chair), Rachel Court, Kerry Spooner and Jim Washington.

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 effectiveness of the Society's fraud prevention systems and controls.
- To approve the appointment or removal of the Head of Internal Audit and monitoring the effectiveness of the

Internal Audit function in its operation of the 3rd line of defence.

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

At 31 December 2015, the Committee comprised Richard Goddard (Chair), John Leveson and Jim Washington.

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 all other Remuneration Code Staff.
- 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.



St Edward Street branch undertook a walk from Macclesfield to Leek before work to raise funds for art equipment at the Donna Louise Hospice.

Leek United
BUILDING SOCIETY

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 2015, comprised Rachel Court (Chair), Peter Kerns, John Leveson and Kerry Spooner.

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 2015 the Committee comprised Peter Kerns (Chair), Kerry Spooner, Jim Washington and Kevin Wilson.

Division of Responsibilities

The offices of Chairman 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 Chairman

The Chairman is responsible for leadership of the Board and ensuring the Board's effectiveness in all aspects of its role. In addition, the Chairman 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 Chairman also ensures that Directors receive accurate, timely and clear information.

The Society's current Chairman, Peter Kerns, was appointed as a Non Executive Director in December 2009. During April 2013 he was elected to be the Chairman of the Board following the retirement of the former Chairman. Peter Kerns has never been chief executive or an employee of Leek United Building Society. Peter will be retiring from the Board at the AGM and Rachel Court will be appointed as Chair of the Board.

Corporate Governance Report

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Sponsorship of Leek Cricket Club

Non Executive Directors

The Non Executive Directors participate in 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 5 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 Chairman 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 Chairman and to act as a contact for any member who may feel that contact with the Chairman or Chief Executive would not be appropriate.

The Senior Independent Director until April 2015 was Derek Lyons with Jim Washington serving the remainder of 2015 until his retirement at the AGM in April 2016. Following Jim's retirement the Senior Independent Director will be Kerry Spooner, subject to election, who will be pleased to act as an alternative contact point for members.

The Composition of the Board

At the end of 2015 the Board consisted of six Non Executive Directors and three 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 considered the individual performance of any Non Executive Director whose service exceeds nine years. This constitutes only one member of the Board; Jim Washington and the Board are satisfied that his independence is not impaired. Non Executive Directors with over nine years' service offer themselves for re-election on an annual basis, Jim Washington will, however, be retiring from the Board after the 2016 AGM. All other 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 2015, the Society used Warren Partners for the recruitment of Non Executive Directors; the Society's only connection with Warren Partners 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. All directors conform to the requirements of the Approved Persons regime governed by the Financial Conduct Authority and pass the 'fit and proper' test specified in the Prudential Regulation Authority Handbook. 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

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

Name	Board	Audit	Risk	Nominations	Remuneration
Rachel Court	12 (12)	-	5 (5)	-	6 (6)
Richard Goddard	12 (12)	4 (4)	5 (5)	-	-
Tony Hubbard	12 (12)	-	-	-	-
Peter Kerns	11 (12)	-	-	7 (8)	5 (6)
John Leveson (from 19/05/15)	7 (8)	3 (4)	-	-	3 (3)
Derek Lyons (to 22/04/15)	2 (3)	-	-	1 (1)	1 (1)
Kerry Spooner (from 19/05/15)	6 (8)	-	1 (1)	5 (6)	2 (3)
Jim Washington	12 (12)	4 (4)	5 (5)	8 (8)	5 (5)
Kevin Wilson	12 (12)	-	-	7 (8)	-
Paul Wilson	12 (12)	-	-	-	-

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

Corporate Governance Report

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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 Chairman 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 Chairman. Performance evaluation of the Chairman 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 to perform an external and independent review of Board effectiveness. No significant issues were identified.

Re-election

Non Executive Directors with over nine years' service are required to offer themselves for re-election on an annual basis. All other 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 Chairman's Statement, Chief Executive's Business Review and the Strategic Report. The accounts have been prepared under the going concern principle.

The Audit Committee has considered the Annual Report and Accounts and considered the key judgmental items in relation to the financial statements for 2015 including:



Main sponsors of Leek Show

- 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 2015 and future years. It is affected by the Society's market share of protected deposits as well as the interest and capital requirements of the FSCS scheme.
- 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 arising from the application of IAS 39.

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 2015, 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 Risk
	Legal & Regulatory Risk	Strategic Risk
	Credit Risk	

Corporate Governance Report

(continued)



Air Ambulance Affinity Account
Cheque Presentation

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 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.

Further information on the Society's approach to risk management and the Board's assessment on the principal risks is within the 'Principal Risks and Uncertainties' Section of the Strategic Report.

Audit Committee and Auditors

The role of the Audit Committee is set out earlier on page 12. The Committee comprises three 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 Committee assesses all requests to use the external auditor for non-audit work and receives explanations from management and the external auditor to satisfy each member that the objectivity and independence of the external auditor is safeguarded.

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 have therefore decided to undertake an external tender process during 2016 to review the Society's external auditor engagement with effect from the 2017 financial statements.

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 Chairman 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.

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 for the first time. 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.

Peter Kerns

Chairman

24 February 2016

Directors' Remuneration Report

The Society's Remuneration Committee is composed solely of Non Executive Directors. The Committee's principal responsibilities are to determine the overall remuneration policy for the Society as a whole and the specific level of remuneration for Executive Directors. In determining remuneration, the Committee considers the guidance in the UK Corporate Governance Code 2014 (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 was introduced for all staff in the Society for the first time in 2015, 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. I'm pleased to confirm that in 2015, the performance targets were met in full, and a payment of £1,000 was awarded to all qualifying staff. 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. The Chief Executive, Finance Director and Operations Director are members 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 2015: four 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 2015.

	2015					2014				
	Salary/ Fees £000's	Benefits /Other (iv) £000's	Sub Total £000's	Pensions £000's	Total £000's	Salary/ Fees £000's	Benefits /Other £000's	Sub Total £000's	Pensions £000's	Total £000's
Non Executive Directors										
Peter Kerns	34	-	34	-	34	33	-	33	-	33
Rachel Court (from 26/11/14)	23	-	23	-	23	2	-	2	-	2
Richard Goddard (i)	28	-	28	-	28	30	-	30	-	30
John Leveson (from 19/05/15)	14	1	15	-	15	-	-	-	-	-
Derek Lyons (to 22/04/15)	9	2	11	-	11	28	1	29	-	29
Ann O'Connell (to 12/05/14)	-	-	-	-	-	10	-	10	-	10
Kerry Spooner (from 19/05/15)	14	1	15	-	15	-	-	-	-	-
Jim Washington	28	-	28	-	28	28	-	28	-	28
Executive Directors										
Kevin Wilson (ii)	197	30	227	12	239	190	11	201	28	229
Keith Griffiths (iii) (to 30/04/14)	-	-	-	-	-	39	31	70	6	76
Tony Hubbard (from 03/11/14)	93	8	101	14	115	15	1	16	2	18
Paul Wilson (from 07/07/14)	125	11	136	19	155	59	5	64	9	73
	565	53	618	45	663	434	49	483	45	528

(i) Richard Goddard received an additional £5k payment in 2014 reflecting duties as Chair of the Trustees of the Pension Scheme, in addition to being Chair of the Risk Committee and Chair of the Audit Committee. In addition he received an extra £3k in 2015 in respect of being Chair of the Risk Committee and Chair of the Audit Committee.

(ii) During 2015, Kevin Wilson, with the agreement from the Society took his pension contributions relating to the period June to December as a cash allowance.

(iii) Keith Griffiths received £18k holiday pay relating to 2013 and 2014 and an

additional £10k as part of his agreed retirement package.

(iv) Includes £1,000 bonus per Executive Director; further details are included on page 20.

Member Consultation

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

Rachel Court

Chair of the Remuneration Committee
24 February 2016

Summary Financial Statement

For the year ended 31 December 2015

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 13 April 2016.

Approved by the Board of Directors on 24 February 2016

Peter Kerns Chairman

Kevin Wilson Chief Executive

Paul Wilson Finance Director

Summary Directors' Report

Financial Performance

Total Assets

The careful management of our balance sheet has resulted in managing our liquidity position down, although still remaining strong. This has led to a small fall in the total assets which have reduced by £16m to £891m in 2015 (2014: £907m) albeit mortgage balances have increased.

Profit and Capital

The profit after tax of £3.6m was transferred to the general reserve.

Management Expenses

The management expenses ratio was 0.90% for 2015 (2014: 0.84%).

Liquid Assets

Liquid assets in the form of cash securities amounted to £171.8m, representing 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 £715.2m.

Shares and Deposits

Investors' and depositors' balances at 31 December 2015 totalled £825.5m.

Interest Rates

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

Summary Statement

This is the first year in which the financial statements have been prepared under FRS 102 "The Financial Reporting Standard applicable in the UK". The Society has adopted FRS 102 which is mandatory for periods beginning 1 January 2014 and has chosen the option to adopt IAS 39 "Financial Instruments: Recognition and Measurement". The prior year financial statements have been restated on adoption of FRS 102 and IAS 39 in the current year.

Group Results for the year

	2015 £000's	2014 £000's
Interest receivable	22,986	24,594
Interest payable	(10,818)	(13,452)
Net interest receivable	12,168	11,142
Other income and charges	832	1,145
Net gain/(loss) from derivative financial instruments	91	(923)
Administrative expenses and depreciation	(8,135)	(7,440)
Net finance credit on pension scheme	(87)	-
Net impairment losses on loans and advances	(203)	110
Financial Services Compensation Scheme levy	(150)	(758)
Profit for the year before taxation	4,516	3,276
Taxation	(916)	(694)
Profit for the year	3,600	2,582

Financial position at the end of the year

	2015 £000's	2014 £000's
Assets		
Liquid assets	171,800	226,773
Loans and advances to customers	715,182	676,543
Fixed and other assets	3,665	3,925
Total assets	890,647	907,241
Liabilities		
Shares	805,115	820,492
Borrowings	20,360	24,366
Other liabilities	3,617	4,376
Net pension liabilities	2,845	2,548
General reserve	57,771	54,358
Available for Sale reserve	(28)	146
Revaluation reserve	967	955
Total liabilities	890,647	907,241

Summary of key financial ratios at the end of the year

	2015 %	2014 %
1. Gross capital as a percentage of shares and borrowings	7.11	6.56
2. Liquid assets as a percentage of shares and borrowings	20.81	26.84
3. Profit for the year as a percentage of year-end total assets	0.40	0.28
4. Management expenses as a percentage of mean total assets	0.90	0.84

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' Report 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 to 23, which comprises the results for the year, the financial position as at 31 December 2015 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 Summary Annual Report 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 Summary Directors' Report, 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 2015 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

24 February 2016

Information relating to directors as at 31 December 2015

Name/ Date of Birth	Occupation	Date of Appointment	Other Directorships
 Rachel Court JP, BA 27/06/66	Non Executive Director	26/11/14	South West Yorkshire NHS Foundation Trust Invesco Perpetual Life Ltd
 Richard Goddard MA, FCA 09/06/57	Finance and Risk Consultant	23/11/11	RCG Business Consultancy Ltd
 Tony Hubbard 22/10/68	Building Society Operations Director	03/11/14	None
 John Leveson MBA, FCIB 04/09/59	Non Executive Director	19/05/15	Queen Elizabeth Grammar School, Penrith
 Peter Kerns 09/06/53	Non Executive Director	21/12/09	Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd
 Kerry Spooner 31/01/61	Non Executive Director	19/05/15	Scotiabank Europe plc
 Jim Washington ACIB 26/05/50	Self-employed Independent Mortgage Consultant	23/11/05	None
 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 ACA 02/04/71	Building Society Finance Director	07/07/14	None

03



01

01
Mame Diouf and Clare Beardmore at The Crescent Academy school in Meir promoting Stoke City Football Club Community Trust.

02
St Edward Street branch taking part in Children in Need.

03
'Launch of Feelgood mortgage which helps one hospice in each of the four counties covered by our branch network – Staffordshire, Cheshire, Shropshire and Derbyshire.

04
Donation to Douglas Macmillan from money raised at 2015 AGM and charity golf day.



02



04

Registered Principal Office

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

Registered No.

323B

Directors

Rachel Court JP, BA
Richard Goddard MA, FCA
Tony Hubbard
Peter Kerns
John Leveson MBA, FCIB
Kerry Spooner
Jim Washington ACIB
Kevin Wilson
Paul Wilson ACA

Chairman

Peter Kerns

Chief Executive

Kevin Wilson

Finance Director

Paul Wilson ACA

Operations Director

Tony Hubbard

Internal Auditor

Ian Boston CMIIA, MAAT

Bankers

HSBC
Santander

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
101 Barbirolli Square
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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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The pulp used in the manufacture of
this paper is from renewable timber
produced from sustainable forests
and is elemental chlorine free.