



Business Review and
Summary Financial Statement
2013



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From top to bottom:

- 1 Macclesfield Branch undertook various activities to raise funds for East Cheshire Hospice.
- 2 Congleton staff took part in a "Walk 10" event to raise funds for their local Marie Curie Cancer Support branch.
- 3 Staff undertook a three-day, 150-mile charity bike ride, visiting each of the Society's branches en route.
- 4 Affinity Account Donation to the County Air Ambulance Trust.
- 5 Charity Golf Day, raising funds for Help for Heroes.



2



3



4



5



Leek United staff v Port Vale FC Supporter's Club charity football match in aid of Approach (helping people with dementia and mental health needs)



Our Savings Department held a carwash to raise funds for Bank House, a Leek-based daycare centre for the elderly

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Business Review



In my first year as Chairman of the Leek United Building Society I am delighted to report that the Society is flourishing and that, during its landmark 150th anniversary year, it has achieved strong asset growth and good profitability whilst maintaining a robust capital position. 2013 has, therefore, been an extremely successful year, with much to celebrate, thanks to the dedication and efforts of staff throughout the Society, who have all made a significant contribution, not only in terms of the financial results, and meeting our members needs, but also in the considerable amounts raised for local charities.

The past twelve months have, like so many before them in recent years, been challenging, both within the wider economy and, more specifically, within the financial services industry. Interest rates remain at historically low levels and are expected to continue to do so for the immediate future. Global markets remain volatile with numerous downside risks particularly as Governments seek to remove the liquidity provided to markets during the financial crisis. However, unlike previous years, the housing market is showing signs of improvement in parts of the country, and the economy looks set to return to gradual recovery. Mortgage competition remains fierce, further banking scandals have emerged, and the impact of increasing regulatory demands and requirements are exerting considerable and growing cost pressures across the industry.

Despite this mixed set of conditions, the Society has delivered an excellent financial performance in 2013, with 5.6% growth in the balance sheet, and the generation of a satisfactory level of profits which is key to the continued robust capital position, since profit is the principal means by which the Society can maintain its capital strength. This profitability has not been achieved at the expense of members, but rather in harmony with their needs, in accordance with the Society's vision to be the best regional independent building society in the UK through the provision of high quality, competitive products and outstanding customer service.



Uttoxeter branch have raised funds for the local First Responders for 14 years

2013 has seen exceptional demand for Leek United mortgage products, with growth in new lending and mortgage balances of 34.3% and 8.7% respectively. Growth in mortgages has not, however, been achieved by lending beyond the borrower's ability to pay; affordability remains a cornerstone of the Society's lending policy. We have also been delighted to welcome significant savings inflows during the year, as existing and new customers continue to support the Society. It is pleasing to note that the Society was awarded a top rating by 'Move your money UK', measured on five key categories, being honesty, customer service, culture, supporting the economy and ethics.



Leek United teamed up with Leek High School to help 6th form students with their studies in Information and Communication Technology

During 2013, our Derby Street branch staff supported Cardiac Risk in the Young (CRY), raising awareness of conditions that can lead to sudden death

This significant growth in savings reflects, in part, widespread disenchantment with competitor organisations, with customers turning to Leek United because of our reputation as a safe, secure home for their money, and our provision of the very best personal service and straightforward, competitive, well designed products. Our success provides a vindication of the traditional building society model as a competitive alternative to the plc banks, and reflects a genuine partnership between local communities and the building societies by which they are served. The Chief Executive's Business Review provides more details of this excellent performance.

The Society's approach is echoed in the findings of a national report from the Building Societies Association, and endorsed by the Secretary of State for Business, Innovation and Skills, which outlines the higher customer satisfaction ratings enjoyed by building societies, and their commitment to maintaining local branches. The report highlights that building societies, along with other mutuals, remain principally consumer-owned and community-focussed, with a long-term and responsible approach essential to rebuilding trust in the UK-wide financial services industry.

The Financial Services Compensation Scheme continues to place a disproportionate burden on building societies. Our share for 2013 rose to £0.5m (2012: £0.3m).

The Society will continue to play to its strengths, retain our sense of momentum and remain true to our members and core values in the months and years ahead, and I remain extremely positive about the future for your Society and the part that it will play in supporting our membership and community.

I must also take this opportunity to thank Paul Marriott, who retired as Chairman at the AGM in April 2013, for his outstanding contribution to the Society. Paul provided invaluable stewardship and unstinting dedication to the business during his nineteen years of service, first as a non-executive director and then as Chairman, and leaves the Society in an extremely robust position. He is greatly missed by the Society, its staff and board, and we wish him a long and enjoyable retirement.

I was honoured to have been asked to become Chairman of the Society following the AGM in April 2013 and am committed to maintaining the values which have served the Society and its members so well to date.

Finally I thank the staff and management for their unstinting efforts in ensuring the success of the Society in 2013 and for their commitment to our values. My thanks also go to the members for their continued support of the Society.

Peter Kerns

Chairman

26 February 2014

Review of the year

Group profit before tax and FSCS levy	£4.76m
Group reserves	£54.7m
Group assets	£853.4m



Overview

I am delighted to report that the past twelve months have proved to be extremely positive for the Society, with a strong set of results delivered in this, our milestone 150th anniversary year. This is a reflection of the fundamental strength of our business model and values and the continued drive within the Society to meet the needs of our members and the challenges of the current economic situation.

In the context of continued low interest rates, the Society's results comprise a particularly resilient and satisfying performance.

Total assets have grown by 5.6%, reflecting strong mortgage lending of £138.9m. We have ensured the preservation of our strong capital position, with a prudent core tier 1 ratio of 19.2%, as continued protection of our members' interests against future risks and uncertainties. This can only be accomplished as the result of sustained profitability, and 2013 saw a solid profit before tax and FSCS levy of £4.76m.

Group Financial Performance

Profit before tax and FSCS levy - £4.76m (2012: £3.44m)

Profit after tax - £3.21m (2012: £2.27m)

Total assets - £853.4m (2012: £808.4m)

Reserves - £54.70m (2012: £53.69m)

Management expenses ratio - 0.84% (2012: 0.82%)

Our other key financial ratios including liquidity, gross capital and free capital complete a strong financial performance.

Mortgage Lending

2013 saw an 8.7% increase in our mortgage balances, from £620m to £674m. I am delighted to report that this was as a result of significant lending during the year, with gross mortgage lending up considerably to £139m, from £103m in 2012. While this in part reflects the beginnings of the housing market recovery experienced nationally, it far outstrips the average growth in mortgage lending across the industry and reflects our dedication to prospective purchasers as well as our commitment to existing customers. We recognise and reward the loyalty of our customers through reduced fees and have continued to offer an attractive variety of fixed rate, variable rate and discounted mortgage products tailored to members' requirements.

This sustainable growth has been achieved even as our cautious approach to lending has been maintained. The Society's lending policy continues to be governed by affordability and we will neither encourage, nor allow, anyone to borrow beyond their means. As a result, our mortgage book remains extremely high quality, with a level of mortgage arrears among the lowest in the industry. The number of accounts in arrears greater than 2.5% of the mortgage balance was just 38 (2012: 26), representing 0.15% of total mortgage account balances (2012: 0.09%), compared to the industry average of 1.29% (source: Council of Mortgage Lenders).

Only one property was taken into possession during the year and no mortgage losses were incurred in 2013. Of the 2,054 mortgages completed since the start of 2011 and held at 31 December 2013, there were no accounts over three months in arrears.



Representatives from 18 nominated charities were presented with a total of £37,249.82, raised by Leek United staff during 150th Anniversary Year

During 2013, the housing market recovered to some extent, supported by a stronger jobs market, the Government’s Help to Buy scheme, and greater mortgage availability, with concerns over double - or triple-dip recessions reducing. Higher loan-to-value mortgage products are returning to the market as competition for business increases, fuelled by rising property prices (not matched by rising earnings) and as a result of the Help to Buy scheme. Opinions remain mixed as to whether a property boom is developing, but the consensus appears to be that there is still some way to go however before the housing market returns to pre-credit crunch levels.

Active support to our local area remains a key strategic objective for our business, as exemplified by the Leek United’s Local Authority Mortgage Guarantee Scheme with Staffordshire Moorlands District Council.

With the implementation of the Mortgage Market Review in April 2014, the new rules will put affordability at the heart of the mortgage market. Our prudent and responsible approach to lending will be reinforced by these new regulatory rules for affordability. A more rigorous ‘stress test’ on income and expenditure will be evident in ensuring only those applicants who have the financial capability of maintaining their mortgage payments even in a higher rate environment will be accepted.

Savings

The environment for savers continues to be extremely difficult, due to the prevailing low interest rate environment, and the impact of the Funding for Lending scheme on average deposit rates.

Despite these conditions, during 2013 our Society welcomed significant inflows of savings balances.

Although this was in part due to dissatisfaction and uncertainty regarding competitor organisations, it also reflects the strength of our proposition and our reputation as a safe and secure haven for our members’ savings. This echoed the findings of the nationwide independent ‘Move your Money’ survey in October 2013 which ranked Leek United Building Society as one of the UK’s best places to transfer your savings to. We have maintained competitive rates for our existing customers, together with a comprehensive range of products, including bonds, business accounts and ISAs.

Savings inflows of £51.5m were recorded in 2013 (2012: £15.7m) leading to growth in shares and deposits balances to £796.3m from £751.2m in 2012.

Our staff and members

The feedback that I received at our 2 Member Forums during 2013, as well as daily insight through visits to branches or written feedback from our members, continues to impress upon me the excellent customer service offered by our people, of which I am extremely proud. Within our Society we seek to deliver consistently high standards of service, and customer satisfaction remains a fundamental objective for the Society, reflected in our values and in our approach to meeting conduct risk requirements.

We have introduced a set of ‘satisfaction’ measures contained within our Pride in Performance initiative which we will use to record the progress of our customer service objectives and to validate our treating customers fairly commitments. These include the customer satisfaction ratio and the number of upheld complaints.

Review of the year (continued)

We have also remained committed to raising funds for local and national charities; in recognition of our 150th anniversary year, each of our twelve branches, together with Head Office departments, selected a particular cause and dedicated a huge amount of time and effort to raising considerable funds over the twelve months via a range of activities including raffles, race nights, sponsored walks and cycle relays. As a result over £37,000 was raised in total, for 18 charities, both at a national level and within the local area.

2013 saw the retirement as Chairman of Paul Marriott, after nineteen years of service. I would like to reiterate my thanks to Paul for his dedication and exceptional contribution to the business and to wish him well for his retirement. Peter Kerns was elected as Chairman following the Society's 150th Annual General Meeting in April, having joined the board as a non-executive director in 2009. He is an experienced solicitor with exposure to a wide range of commercial and regulatory issues.

Outlook

The improvement in the UK economy that began in 2013 looks likely to continue into 2014 and beyond, with growth in the manufacturing and services sectors, increasing levels of employment and a gradual improvement in business confidence. It is, however, too soon to be sure of a return to pre-crisis levels of balanced and sustained growth, as living standards remain under pressure (due to a lack of wage growth) and with continued weakness in the Eurozone.

More than ever, the Board believe that the traditional building society model is required as an essential component of the future of financial services in the UK and an alternative to the major high street banks for those members seeking peace of mind and excellent service.

We began our 150th year in strong financial shape and end the year in an even stronger position. My thanks go to our members and staff for this success, and I look forward to building on this platform for growth in 2014 and beyond.

Kevin Wilson
Chief Executive
26 February 2014

- 1 Moorlands Hospital Christmas donation
- 2 Humphrey Christmas poster winner
- 3 Leek Derby Street branch launching their Snowdon trek to raise funds for Cardiac Risk in the Young
- 4 Hanley Branch 150th Celebrations
- 5 Princess Royal Christmas donation
- 6 Cheque presentation to the Neurology Department at University Hospital North Staffordshire by our head office Mortgage Applications Department



Corporate Governance Report

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.

At the beginning of 2013, the Board consisted of seven non-executive and two executive directors. On 19 February 2013 Mark Taylor resigned as a non-executive director. On 24 April 2013 Paul Marriott retired as Chairman and Peter Kerns was appointed as Chairman. At the end of 2013 the Board, therefore, consisted of five non-executive and two executive directors.

In striving towards ever higher standards of service to members, the Board focuses not only on members' interests as customers for the Society's products and services but also their interests as members of a mutual enterprise. In regard to this latter relationship, the Board take account of the guidance contained in the revised UK Corporate Governance Code 2012. Whilst this code is addressed to plcs, the Prudential Regulation Authority state that building societies should have regard to the Code when establishing and reviewing their own corporate governance requirements. The Board is pleased to confirm that it has had regard to the Code in all matters pertaining to their corporate governance requirements.

A formal system of board appraisal 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.

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. They are also entitled to obtain independent professional advice at the Society's expense.

The offices of Chairman and Chief Executive are separate and held by different people.

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 director whose service exceeds nine years and is satisfied that their independence is not impaired as they are considered to be independent in character and judgement and free of any relationship or circumstances which could materially interfere with the exercise of their judgement. Non-executive directors with over nine years service 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.

All directors conform to the requirements of the Approved Persons regime instituted by the Financial Services Authority and pass the "fit and proper" test specified in the PRA Handbook.

The Code recommends that a non-executive director should be designated as the Senior



Derby Branch raised money for their nominated charity, Marie Curie Cancer Care



2013 AGM Cheque presentation to the Donna Louise Trust

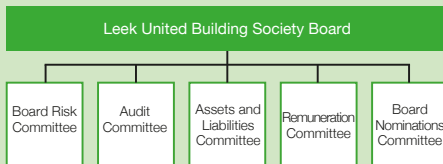
Independent Director with responsibility for leading non-executive directors in the performance appraisal of the Chairman and to act as a contact for any member who may feel that contact with the Chairman or Chief Executive would not be appropriate. The Senior Independent Director is Derek Lyons, who is pleased to act as an alternative contact point for members.

Register of Candidates for Board Vacancies

The Society maintains a register of potential candidates for future non-executive Board vacancies. Members who believe they have the skills, experience and commitment to serve effectively as a director of the Society are invited to write, in confidence, to the Chairman of the Nominations Committee at the Society's head office.

Board Committees

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 governance structure at the start of the year included the **Audit and Risk Committee**. The Audit and Risk Committee's role was to assure the Board that risks were being managed in

accordance with policy and within the limits of the Board's stated risk appetite. The Audit and Risk Committee received reports from the Society's internal auditor and external auditors and its remit included matters relating to compliance with the Building Societies Act 1986 and the Financial Services and Markets Act 2000, the effectiveness of systems of control, risk management, Internal Capital Adequacy Assessment Process (ICAAP), external audit arrangements, annual report and accounts and all regulatory issues. It considered and recommended the appointment of internal and external auditors and monitored their effectiveness and independence.

During 2013, the Board revised the governance structure, such that the responsibilities previously undertaken by the Audit and Risk Committee are now separately assigned to the **Board Risk Committee (BRC)** and to the **Audit Committee**.

The **BRC** advise the Board on the Risk Management Framework and oversees the design, quality and effectiveness of the Framework. In co-operation with the Audit Committee, the BRC monitors identified risk control failings and weaknesses and actions taken to resolve them. The BRC is responsible for risk culture and independence, the risk appetite statement, risk policies and reports of positions against limits, the ICAAP, the Recovery and Resolution Plan and the Pillar 3 disclosure.

At 31 December 2013 the committee comprised:

- Ann O'Connell (chair)
- Richard Goddard
- Jim Washington
- Kevin Wilson

Corporate Governance Report (continued)

The **Audit Committee** is responsible for:

- the effective operation of the Society's internal controls and risk management systems
- reviewing the Society's procedures for detecting fraud and for whistle blowing
- the appointment or removal of the Head of Internal Audit, and monitoring of the effectiveness of the Internal Audit function.
- monitoring the integrity of the financial statements of the Society, reviewing any significant financial reporting judgments contained therein
- the engagement, performance and effectiveness of the external auditor, ensuring that the provision of non-audit services and associated fees do not impair the independence and objectivity of the external audit and that that recommendations have been acted upon by the Society

The judgmental and significant issues considered by the Audit Committee in relation to the financial statements for 2013 included:

- The requirement for specific and general mortgage provisions, assessed based on the level of arrears and other potential impairment indicators within the mortgage book
- The requirement for MPPI provisions, based on the claims outstanding and experience to date of numbers of MPPI claims upheld and consideration of any regulatory issues
- The calculation of the FSCS levy accrual, based on publicly available information in respect of the levy for 2013 and future years
- The provision required for potential redress for compensation in respect of a calculation adjustment to mortgage interest, which occurred during 2013 and ensuring appropriate controls in place over interest calculation
- The assumptions utilised in the valuation of the defined benefit pension scheme under FRS17

The Audit Committee reviewed and challenged the assumptions for each accounting estimate and was satisfied that they were appropriately dealt with in the accounts.

The external auditor, PricewaterhouseCoopers LLP, has been engaged by the Society since the audit of the 1998 financial statements. During 2013, the Audit Committee considered whether a tender should be undertaken regarding the reappointment of the external auditor and decided to defer an audit tender until 2015.

The Audit Committee assessed 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 Audit 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 auditors is safeguarded.

At 31 December 2013 the committee comprised:

Richard Goddard (chair)
Ann O'Connell
Jim Washington

The **Remuneration Committee** sets appropriate levels of pay and conditions for Board and executive management posts. The committee makes an annual report to members – this can be found on page 14. The committee is composed entirely of non-executive directors and committee membership at 31 December 2013 was as follows:

Jim Washington (chair)
Derek Lyons
Peter Kerns

The **Board Nominations Committee** is responsible for regularly reviewing the structure, size and composition, and the balance of skills, knowledge and experience of the Board, and making recommendations to the Board with regard to any necessary changes and in particular to ensure that membership is refreshed. All non-executive Board vacancies are advertised in the press/media with a regional or national scope as appropriate.

Careful consideration is given to the combined skills and experience of the existing Board members and diversity in making new appointments to the Board. 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, gender, marital status, disability, sexual orientation and religion or belief.

In 2013 the Society used an independent executive search and selection firm, Adderley Featherstone to support the recruitment of non-executive directors. The only connection with Adderley Featherstone is for recruitment and selection.

At 31 December 2013 the committee comprised:
 Peter Kerns (chair)
 Derek Lyons
 Jim Washington
 Kevin Wilson

The **Assets and Liabilities Committee** supervises the Group's treasury and financial risk management activities. At 31 December 2013 the committee comprised:

Kevin Wilson (chair)
 Richard Goddard
 Keith Griffiths
 Peter Kerns
 Derek Lyons
 Ann O'Connell

At the start of 2013, the Board operated the Information Technology Committee, responsible for the approval and monitoring of major IT projects. During 2013 this ceased to be a Board Committee.

Attendance at Board and Board sub-committee meetings - 2013

	Board	Remuneration	Audit & Risk	Risk	Audit	Assets & Liabilities	Nominations
R T Goddard	12 (12)		1 (1)	7 (7)	3 (3)	4 (4)	1 (1)
K Griffiths	7 (12)					2 (4)	
P W Kerns	12 (12)	6 (6)	1 (1)			4 (4)	5 (5)
D J Lyons	12 (12)	6 (7)				3 (4)	4 (4)
P Marriott (to 24/4/13)	3 (3)	2 (2)	1 (1)			1 (1)	1 (1)
A O'Connell	12 (12)		1 (1)	7 (7)	3 (3)	4 (4)	
M Taylor (to 19/2/13)	0 (1)						
J Washington	12 (12)	7 (7)	1 (1)	7 (7)	3 (3)	1 (1)	4 (4)
K Wilson	12 (12)			7 (7)		4 (4)	5 (5)

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

Relations with members

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 gives a presentation on the main business developments and members present have the opportunity to raise questions to the directors and senior management.

Constructive use of the 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 to vote if they cannot or choose not to attend the AGM. 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 all of the committees are therefore available to answer questions raised by members.

On behalf of the board of directors

Peter Kerns

Chairman

26 February 2014

Directors' Remuneration Report

The Society's Remuneration Committee is composed solely of non-executive directors. Jim Washington, Derek Lyons and Peter Kerns, served on the committee during 2013.

The committee's principal responsibility is the determination of the terms and conditions of employment of executive directors and the level of fees payable to non-executive directors. In making its determinations the committee is guided by the recommendations of the UK Corporate Governance Code 2010 relating to remuneration and to the FCA's Remuneration Code. It aims to set remuneration at levels that are sufficient to ensure that the interests of the executives are aligned with those of the Society's members and that the Society is able to attract, retain and motivate high calibre individuals.

When considering the remuneration of both the executive and non-executive directors, the Remuneration Committee takes into account the performance of the Society, comparable data from a range of independent sources covering building societies and firms in the wider financial services sector where the scale and complexity of business operations are similar to those of Leek United. The Remuneration Committee has regard to the UK Corporate Governance Code and the FCA Remuneration Code, effective from January 2011 for all building societies.

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.

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 and Finance Director are members of the defined contribution stakeholder pension scheme.

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 existing and new executive director appointments conform to this limit.

Non-Executive Directors

Non-executive directors receive fees for the provision of their services. They do not have service contracts and do not receive any other benefits (other than travelling expenses incurred in the normal course of duties), 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.

Directors' Remuneration Report

Directors' Remuneration

The table below summarises directors' pay and benefits for the year ended 31 December 2013.

	2013					2012				
	Salary/ Fees £000's	Benefits £000's	Sub-Total £000's	Pensions £000's	Total £000's	Salary/ Fees £000's	Benefits £000's	Sub-Total £000's	Pensions £000's	Total £000's
Non-executive directors										
P Marriott (to 24/4/13)	10	-	10	-	10	31	-	31	-	31
R T Goddard	23	-	23	-	23	21	-	21	-	21
P W Kerns	29	-	29	-	29	21	-	21	-	21
D J Lyons	27	1	28	-	28	26	1	27	-	27
A O'Connell	23	-	23	-	23	1	-	1	-	1
J Washington	26	-	26	-	26	23	-	23	-	23
P A Stanyer (to 8/2/12)	-	-	-	-	-	3	-	3	-	3
M Taylor (to 19/2/13)	4	-	4	-	4	1	-	1	-	1
Executive directors										
K Wilson	181	9	190	18	208	175	11	186	-	186
K Griffiths	95	10	105	35	140	96	8	104	20	124
	418	20	438	53	491	398	20	418	20	438

The Executive Directors have the option to sacrifice part of their salary in exchange for the Society making additional pension contributions on their behalf. During the year, Keith Griffiths took advantage of this option.

Member Consultation

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

Jim Washington

Chair of the Remuneration Committee
26 February 2014



2013 AGM Cheque Presentation to Douglas Macmillan

Summary Financial Statement

For the year ended 31 December 2013

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on demand at every office of Leek United Building Society from 10 April 2013.

Approved by the board of directors on 26 February 2014.

Peter Kerns Chairman
Kevin Wilson Chief Executive

Summary Directors' Report

Financial Performance

Total Assets

The total assets of the group at the end of 2013 were £853.4m, an increase of £45.0m in the year.

Profit and Capital

The profit after tax of £3.21m was transferred to the general reserve. In addition, the general reserve was reduced by £2.20m on closure of the Society's defined benefit pension scheme. Gross capital amounted to £54.70m at 31 December 2013.

Further information on the impact of the closure of the Society's defined benefit pension scheme can be found in the full Annual Report and Accounts which is available through any of our branch offices, or on the Society's website at www.leekunited.co.uk.

Management Expenses

The management expenses ratio was 0.84% for 2013 (2012: 0.82%).

Liquid Assets

Liquid assets, in the form of cash securities, amounted to £175.3m, representing 22.02% of shares and borrowings.

Mortgages

The total amount outstanding on mortgages at the end of the year was £674.3m.

Shares and Deposits

Investors' and depositors' balances at 31 December 2013 totalled £796.3m, an increase during the year of £45.1m.

Interest Rates

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

Summary Statement

Group Results for the Year	2013 £000's	2012 £000's
Net interest receivable	10,257	8,466
Other income and charges	1,071	1,255
Administrative expenses	(6,956)	(6,538)
Net finance credit on pension scheme	160	113
Provision for bad and doubtful debts	232	146
Financial Services Compensation Scheme Levy	(500)	(301)
Profit for the year before taxation	4,264	3,141
Taxation	(1,058)	(871)
Profit for the year	3,206	2,270

Financial position at the end of the year

Assets	2013 £000's	2012 £000's
Liquid assets	175,318	184,876
Mortgages	674,266	620,026
Fixed and other assets	3,784	3,473
Total assets	853,368	808,375
Liabilities		
Shares	770,455	719,818
Borrowings	25,810	31,424
Other liabilities	2,403	1,962
Net pension liabilities	-	1,479
General reserve	53,587	52,579
Revaluation reserve	1,113	1,113
Total liabilities	853,368	808,375

Summary of key financial ratios at the end of the year

	2013 %	2012 %
1. Gross capital as a percentage of shares and borrowings	6.87	7.15
2. Liquid assets as a percentage of shares and borrowings	22.02	24.61
3. Profit for the year as a percentage of mean total assets	0.39	0.29
4. Management expenses as a percentage of mean total assets	0.84	0.82

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 average of the group's total assets during the year.

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 bears 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 on the Summary Financial Statement

Independent Auditors' statement to the members and depositors of Leek United Building Society

We have examined the summary financial statement of Leek United Building Society set out on pages 16 and 17.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the summary financial statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Business Review and Summary Financial Statement with the full Annual Report and Accounts, the Annual Business Statement and the Directors' Report, and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and 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 Annual Report and Accounts. The other information comprises only the Corporate Governance Report and Director's Remuneration Report.

This statement, including the opinion, has been prepared for, and only for, the Society's Members and Depositors 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

We conducted our work in accordance with Bulletin 2008/3 'The auditor's statement on the summary financial statement in the United Kingdom' issued by the Auditing Practices Board. Our report on the Group and Society's full Annual Report and Accounts describes the basis of our audit opinion on those Annual Report and Accounts.








Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Report and Accounts, the Annual Business Statement and the Directors' Report of Leek United Building Society for the year ended 31 December 2013 and comply with the applicable requirements of section 76 of the Building Societies Act 1986, and regulations made under it.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

26 February 2014

Information relating to directors as at 31 December 2013

Name Date of Birth	Occupation	Date of Appointment	Other Directorships	
	R T Goddard MA, FCA 9/6/57	Finance and Risk Consultant	23/11/11	RCG Business Consultancy Ltd
	K Griffiths BSc(Econ), FCA 19/7/57	Building Society Finance Director	3/11/08	-
	P W Kerns 9/6/53	Solicitor	21/12/09	Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd
	D J Lyons MCISI 5/12/43	Financial Consultant	14/6/02	-
	A O'Connell BSc (Mgm), ACMA, MCT 12/4/69	Non-executive Director	19/12/12	-
	J Washington ACIB 26/5/50	Self-employed Independent Mortgage Consultant	23/11/05	-
	K Wilson 20/12/58	Building Society Chief Executive	1/10/98	Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd

Registered Principal Office	50 St. Edward Street Leek, Staffs. ST13 5DL
Registered No.	323B
Directors	Richard Goddard MA, FCA Keith Griffiths BSc (Econ), FCA Peter Kerns Derek Lyons MCISI Ann O'Connell BSc (Mgm), ACMA, MCT Jim Washington ACIB Kevin Wilson
Chairman	Peter Kerns
Chief Executive	Kevin Wilson
Finance Director	Keith Griffiths BSc (Econ), FCA
Internal Auditor	Ian Boston
Other Officers	Helen Alcock Assoc CIPD Richard Bebington Stephen Boulton PGDip Mgmt, MCMI Ben Gronneberg Tony Hubbard Mike Williams
Bankers	HSBC Santander
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW.

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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