Annual Report and Accounts 2024

Leeds Building Society

Contents

2024: How we performed

Gross residential lending

£5.7bn

(2023: £4.4bn)

We helped **37,200** more people have the home they want, including **17,600** first time buyers

Total assets

£31.6bn

(2023: £28.1bn)

Savings balances

£24.5bn

(2023: £20.8bn)

We helped **119,100** more people save for their future

Average savings rate[1]

4.13%

Compared to the rest of the market average of 3.34%

Generated the equivalent of **£175.0 million** extra interest for members

Underlying profit before tax[2]

£187.5m

(2023: £181.5m)

Common Equity Tier 1 Capital

25.7%

(2023: 28.2%)

Reserves available to protect us from future problems

Member satisfaction[3]

94%

(2023: 94%)

We have an ongoing commitment to be customer focused in everything we do

Colleague engagement[4]

8.4 out of 10

(2023: 8.3)

We are committed to being a great place to work

1 CACI January 2024 to December 2024 CSDB, Stock, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.
2 Underlying profit before tax excludes one-off items.
3 Overall customer satisfaction in a survey of 3,463 members from January to December 2024.
4 Your Voice colleague survey, 1,644 respondents (92% response rate) in June 2024.

Strategic Report

Chair's Welcome

2024 highlights

The purpose of Leeds Building Society is to put home ownership within reach of more people – generation after generation. Most people want to own their own home, but getting a first foot on the housing ladder is as hard today as it has been at any time in our 150-year history, so although achieving our purpose remains completely relevant, fulfilling it becomes ever more demanding.

Performance over 2024

The backdrop to our 2024 performance was one of a modestly improving economy and housing market, and although the inflation rate reduced and interest rates began to fall, the pressure on household budgets remained intense. I am therefore pleased to report that, despite these conditions, the Society had another very strong, and in key areas, record-breaking year.

The full details are set out in the chief executive officer's (CEO) highlights and elsewhere in the annual report, but the headlines include:

- We maintained the number of loans to first time buyers, despite significantly increased competition, launching a number of initiatives to further help borrowers overcome the affordability barrier, and were named 'Best Shared Ownership Mortgage Lender' in the 2024 What Mortgage Awards for the ninth year running.
- With an average savings rate 0.79% higher than the market average, we delivered record-breaking extra interest to our savers equating to over £175.0 million.[1]
- Our member satisfaction scores were maintained at 94% in 2024.
- Total mortgage lending and total saving receipts were both at record levels, and we now have just under one million saving and borrowing members – an all-time high for the Society.
- Colleague engagement scores improved to 8.4 (out of 10) this year, versus 8.3 in 2023.
- We underpinned our financial strength with an underlying profit of £187.5 million, modestly up year-on-year (2023: £181.5 million).

1 Source: CACI's CSDB, Stock, January 2024 to December 2024, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

- Through Society, member and colleague contributions of over one million pounds, we supported numerous purpose-linked community schemes and projects, including our charity partner Barnardo's.
- We continued to make good progress on our multi-year programme to renew the Society's technology, which will further strengthen our competitive position and our ability to meet our customers' changing needs.

Board changes

This time last year I informed members that I intended to step down from the board at the conclusion of my second term of office. I am delighted to report that Brendan McCafferty joined the board in September, and that he will take over as board Chair and Chair of the Nominations Committee (subject to regulatory approval) at the start of March 2025. Brendan has wide experience in senior positions in financial services, and I have no doubt that the Society will benefit greatly from his leadership of the board in the years to come.

Gareth Hoskin, who is both the senior independent director and the Chair of the Audit Committee, will be standing down from the board at the end of March, after just over nine years of service. My colleagues and I are deeply grateful to him for his exceptional contribution to the Society throughout that time.

I am very pleased to report that Annette Barnes will take over from Gareth as the senior independent director, and that Farah Buckley will take over as Chair of the Audit Committee. Annette will continue to chair the Remuneration Committee and Pam Rowland will take over from Annette as the board's designated non-executive director (NED) for matters relating to colleague engagement.

Profiles of all the directors are to be found on pages 91 to 97 of this annual report.

Looking ahead

In 2025 we will celebrate the 150th anniversary of the foundation of our Society. Throughout that time our mission has remained essentially unchanged. We have brought together savers and borrowers, across generations and across communities, providing a safe and rewarding home for members' savings, and giving countless families the opportunity to live in a home of their own. We have always sought to do this in a responsible way, supporting our local communities and providing a great place to work for our people. As a mutual, run in the interests of our current and future members, we have been able to take a long-term view, which has seen us through the good times and the bad of the last century and a half.

The immediate outlook for the economy remains uncertain, but members of Leeds Building Society can be assured that we remain extremely well-placed to go on delivering on our purpose.

Finally, it has been a privilege to have been able to play a small part in the Society's recent history. I would like to express my heartfelt gratitude to our members, and to my colleagues on the board and throughout the Society for their support throughout my time as Chair – it is ultimately our people, under the guidance of an exceptional leadership team, who make us successful, and I applaud them for all they have achieved.

Iain Cornish
Chair

27 February 2025

A word from Brendan McCafferty

"I am honoured to be appointed to the role of Chair. Leeds Building Society has a strong heritage, a clear purpose, and is committed to putting members first. I look forward to working with the rest of the board, executive team, and colleagues across the Society to build on our success and ensure we remain well-positioned to serve our members."

Chief Executive Officer's highlights

As a mutual organisation, Leeds Building Society is owned by, and run for, the benefit of its members. The milestone of our 150th anniversary offers the opportunity to reflect on how far our Society has come and it's a real privilege to share that our performance in 2024 was record-breaking on multiple fronts.

Our purpose of putting home ownership within reach of more people – generation after generation, has remained fundamentally unchanged since we were founded in 1875, but our innovation and investment to support members means we have otherwise grown beyond all recognition, demonstrated through our performance.

Our total membership reached an all-time high at the end of 2024 of just under a million. Mortgage completions have also never been higher, ending the year at £5.7 billion. From a savings perspective we're continuing to demonstrate value, generating the equivalent of £175.0 million in extra interest for members as a result of paying 0.79% above the market average on savings rates[1] which is an all-time high, up from £110.0 million in 2023. It's unsurprising, then, that our savings balances have reached a record £24.5 billion, a year-on-year growth of 18%.

Encouraging home ownership through innovation

Our record-breaking performance was just one reason why 2024 was a landmark year for our Society. It's vital that we deliver actions to advance our purpose alongside this, particularly in an environment where home ownership remains a challenge for many. We know that young borrowers, first time buyers and those on a lower income often face the toughest challenge to prove their ability to repay a mortgage. I'm proud to say that we continued to launch innovative propositions last year to help make the dream of home ownership a reality for members who may otherwise have been unable to purchase a property.

We supported over 17,600 first time buyers into home ownership in 2024 through the launch of products such as our Income Plus mortgage range, offering to lend them an average of £66,000 more on 95% loan-to-value (LTV) lending and enabling them to borrow up to 5.5 times their salary. By combining a high LTV and loan-to-income (LTI) ratio with generous affordability modelling, Income Plus enables first time buyers to borrow more and buy the home they want sooner than they may otherwise have been able to.

1 Source: CACI's CSDB, Stock, January 2024 to December 2024, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

Our innovative partnership with Experian, allowing people to potentially 'boost' their credit scores, continues to support aspiring home owners. Experian Boost uses open banking to assess the last 12 months of payments, such as council tax and subscriptions to streaming services, incorporating them into a free 'boosted' credit score. Over 4,100 mortgage applications received a boosted Experian credit score in 2024, 64% of which were first time buyers.

We've also seen a 79% increase in those opening our Home Deposit Saver account, which rewards savers with a £500 bonus after they receive a mortgage offer and continues to be an important part of supporting members to purchase their own home.

Our performance in the shared ownership sector continues to be impressive, with our second-highest year ever of shared ownership completions in 2024. We were pleased to be named 'Best Shared Ownership Mortgage Lender' in the 2024 What Mortgage Awards, for the ninth consecutive year, as well as in the 2024-2025 Your Mortgage Awards, for the second year running.

We continue to push for real change in the housing market. The cost of owning a home remains high and, as our 'A Place to Call Home' report shows, hundreds of thousands of people will be unable to get onto the housing ladder over the coming years compared to the historic average.[2]

Building houses remains an essential way to address that challenge and pushing for wider community consultation on planning developments should be central to delivering new housing targets. We published a new report focused on this issue in 2024, The Case for Inclusive Planning[3], arguing for a fairer system that reduces barriers to home ownership. I was encouraged to see the government's commitment to overhauling the planning process published in the reformed National Planning Policy Framework late last year.

Investing to support our members

We achieved an underlying profit of £187.5 million, modestly up year on year (2023: £181.5 million) and our total assets increased to £31.6 billion, which is an all-time high. Capital and reserves exceed £2 billion, and liquidity levels are well above regulatory requirements. Our performance reinforces our ability to invest significantly in our branch network and digital capabilities, demonstrating the value that a building society can offer its members: fantastic rates, face-to-face services and innovative products.

We recognise that the customer service provided in our branches remains the lifeblood of our organisation and we remain deeply committed to them. The exceptional levels of service and support that our branch colleagues continue to offer members is reflected in our overall customer satisfaction scores, which reached 94% in 2024, and our Trustpilot rating of 4.7. We are bucking the market trend by investing in renovating and relocating branches across our national network, including in Gloucester and Stevenage in 2024. We also opened a brand-new branch, our 51st, in Solihull in the West Midlands.

As well as investing in our in-person services, we invested heavily in our digital capability, modernising online journeys to make life easier for brokers and members. Since we launched our new online Individual Savings Account (ISA) application journey last year, we've seen a 62% increase in successful account openings. The modernisation of our core IT platform will continue this year and will ultimately increase functionality, security and resilience, making our systems simpler and quicker to use for our members, colleagues and intermediary partners.

In the first half of last year, we made a significant investment to simplify our balance sheet by completing a successful buy-back of Permanent Interest-Bearing Shares (PIBS). The up-front cost in the buy-back of PIBS will be offset by the year-on-year interest saving, which will set the Society up for better long-term financial strength and security.

> "Our purpose of putting home ownership within reach of more people – generation after generation, has remained fundamentally unchanged since we were founded in 1875."

2 A Place to Call Home: Barriers to entering the housing market then, now and in the future, a report by Leeds Building Society: **leedsbuildingsociety.co.uk/a-place-to-call-home**

3 The Case for Inclusive Planning: How representative consultation can overcome barriers to housebuilding, a report by Leeds Building Society and Public First: **leedsbuildingsociety.co.uk/inclusive-planning**

Early last year, we were deeply saddened when we understood the impact the collapse of Philips Trust Corporation would have on some of our members. When it was apparent that members' investments associated with their trusts were at risk, we made the decision to stand by those members and offer a significant voluntary financial support scheme. Throughout the year, the Society has worked with the administrators to deliver that scheme and, at the year end, had paid £6.2 million to those members who would have lost their investment. We know directly from some of those members that this action will make a real difference to them and their families, and I am proud of how we have responded.

Providing great products and services for our members would not be possible without our dedicated colleagues, and we remain committed to supporting their wellbeing and development. We have over 1,700 colleagues in the Society, and I was delighted that our engagement scores, measured in the annual 'Your Voice' survey, improved to 8.4 (out of 10) this year, versus 8.3 in 2023.

A sustainable and responsible business

Despite the challenging economic conditions, I'm pleased to report that UK arrears figures have modestly declined year-on-year, currently standing at 0.58% (2023: 0.61%) and remaining stable. We have not charged arrears fees since 2020 and will continue to keep this policy in place in 2025 to support our members in financial difficulty. There are many reasons customers may struggle to make mortgage payments, and we continue to support our teams with training to both identify and support members who may be struggling.

Our performance is underpinned by good governance, and I would like to take the opportunity to express my personal thanks to Iain Cornish for his support during his time as Chair, which is coming to an end. He has made an invaluable contribution, including helping us navigate the Covid-19 pandemic and continuing to grow as a Society in a highly competitive environment. The continued progress we have made under his leadership of the board speaks to his dedication and experience.

I would also like to welcome Brendan McCafferty as our new Chair. Brendan brings a wealth of experience to the role from a long and distinguished career in financial services, and I am looking forward to working alongside him and the rest of the board as we continue to provide a strong and secure place for savers' money and help more people onto the housing ladder.

While our members receive great value and service, we also work hard to meet their expectations to make a positive contribution to the communities we serve. We awarded over a million pounds to good causes in 2024 and supported 240 charities and community groups. In April we launched a new three-year charity partnership with the UK's largest children's charity, Barnardo's, to build brighter futures for care-experienced young people, and we're committed to raising at least £300,000 for them over the next three years. In the first nine months of the partnership, our colleagues and members have raised over £130,000 for the charity.

Climate change is one of the defining issues of our age and we remain committed to the orderly transition to net zero by 2050. We were one of the first lenders to use a property's Energy Performance Certificate (EPC) rating in its affordability calculations, offering newbuild properties with an A or B rating an increase in the maximum loan amount. We have also started a multi-year programme to make our branch estate more energy efficient.

This year we have published our inaugural climate transition plan setting out our revised climate targets (2024-2034) and the actions to achieve them. We continue to take steps to reduce our emissions, but we are off track on three of our existing (2021-2030) climate targets. We expect to bring the emissions that are under our control back on track over the longer term in line with our revised targets. We won't be able to achieve all of our ambitions alone and there are several significant challenges to overcome. Based on the current pace of collective change and external uncertainties, it's highly unlikely all our revised targets will be met without further urgent action across government, society and industry.

2025 outlook

Whilst we expect there will still be volatility ahead in 2025, our strong financial performance means that we are well-positioned to deal with challenges that lay ahead and the housing market continues to remain stable, which offers confidence for the long-term.

Our business model is robust, and our multi-year IT transformation programme will provide a modern technology platform which futureproofs our systems, sets us up to deliver our purpose, and enables us to be here for generations to come. The growth in our membership in 2024 demonstrates that our customers recognise this, and we will continue to invest in supporting them.

It is a privilege to be leading Leeds Building Society into its 150th year and I look forward to continuing to work closely with our talented colleagues, our valued members, and with our experienced board to drive our purpose forward. Thank you for your ongoing support and trust.

Richard Fearon
Chief Executive Officer

27 February 2025

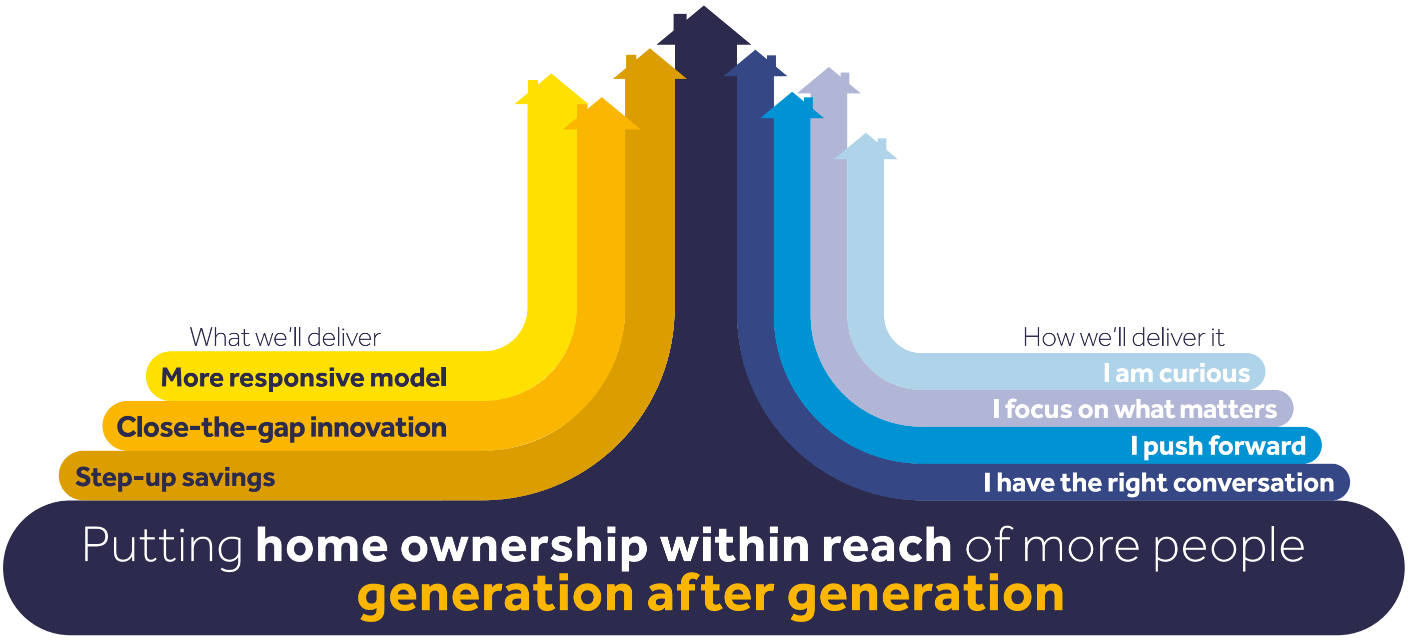
Business Model and Strategy

Year ended 31 December 2024

Our strategy and business model

Leeds Building Society is the fifth largest building society in the UK, with assets of £31.6 billion. As a mutual organisation we are owned by our members and we strive to act in their best interests as well as those of our wider stakeholders, both now and over the long term.

Our purpose is **'Putting home ownership within reach of more people – generation after generation'**. Home ownership has always been an important focus for our business since it was founded in 1875, and, like our founders, we believe more people should have the security of owning their own home. We are committed to supporting our members onto and up the housing ladder, as well as supporting them to remain in their home when faced with financial uncertainties. Our strategic drivers and behaviours enable us to do so.



Strategic drivers: What we'll deliver

More responsive model – it's our responsibility to serve members and society for generations. We will build foundations that are strong and responsive to the changing context we will face.

Close-the-gap innovation – there are too many barriers to people getting the home they deserve. We will be relentless in partnering and creating solutions to help people onto and up the ladder of home ownership.

Step-up savings – savers are the lifeblood of our business. For them, we will create experiences that are straightforward and human no matter the channel, and ensure that when people save with us they save with purpose.

Behaviours: How we'll deliver it

I am curious – seeking out expertise from different perspectives in the business, and looking outside for insight and inspiration.

I focus on what matters – doing the things that will make the biggest difference, and always doing the right thing for our members and our Society.

I push forward – making decisions and creating solutions to barriers.

I have the right conversation – facing into difficult conversations, and celebrating great work.

Our business model

Our simple business model supports delivery of our purpose, through providing a safe and rewarding place to save, and supporting home ownership by providing a range of mortgages to our members.

We provide residential mortgages in the UK, through a network of approved mortgage brokers and directly to members through online and telephone channels, to help members into homes of their own. We offer mortgage products across mainstream residential, buy to let and a range of other segments, such as shared ownership and interest only. As a way of helping to put home ownership within reach of more people, we no longer offer new mortgages on second homes, because these reduce the availability of homes for local residents. For the same reason, we are also trialling restricted lending on holiday lets in two popular UK tourist hotspots.

We fund the majority of mortgage lending with members' savings, through a range of channels. We've continued to support savers with our rates averaging 0.79%[1] above the market average during the year. The remainder is funded from wholesale money markets on competitive terms, as well as reserves from previous years' profits, and government-supported funding schemes aimed at increasing the level of lending across the market.

Our strong liquidity position helps to make sure that there are sufficient funds available to meet the requirements of savers, investors and other creditors. Assets are invested conservatively, in a range of high-quality investment instruments and across a range of counterparties. Environmental, Social and Governance (ESG) factors are considered when assessing the creditworthiness of our counterparties for liquidity investments and, if a counterparty was to be judged not to meet these criteria, then their limit may be withdrawn.

We aim to generate sufficient profit through cost efficiency and management of the net interest margin, in order to maintain a strong capital position, supporting delivery of our purpose generation after generation. As a result, we can continue to invest in the Society for the benefit of our membership as a whole – for example by improving customer experience, modernising our technology platforms, maintaining branches and enhancing the colleague working environment.

Longer term, while we believe that our core product lines are sustainable into the future, we expect the markets we operate in to remain fiercely competitive, and we will need to adapt accordingly.

We continue to invest in our mortgage systems to improve efficiency, speed up processing times and improve customer experience. This will help us to serve the evolving needs of more members, both through how they choose to do business with us and by providing products relevant to them. We continue to review opportunities to meet existing and new members' needs better, including the development of our products and distribution channels.

1 Source: CACI's CSDB, Stock, January 2024 to December 2024, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

Our business model is summarised below:

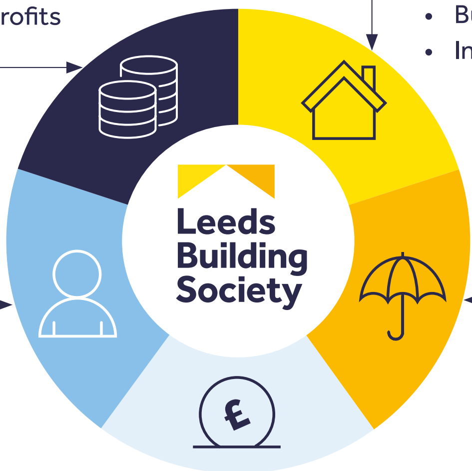
Where our funding comes from

- Savers (via our branch network, phone, online, post)
- Wholesale markets
- Reserves of previous profits

How we use our funding

The Society lends to help members have the home they want, including:

- Mainstream residential
- First time buyers
- Shared ownership
- Buy to let
- Interest only



How we remain financially stable and operationally resilient

- By maintaining liquid investments with strong credit rated institutions and central banks
- By making sufficient profit to maintain a strong capital base
- By having a prudent lending approach
- By maintaining a long-term strong credit rating
- By maintaining a multi-channel business model
- Ongoing investment and focus on operational risk reduction including a robust cyber strategy

What we need to spend

- Costs of running the business and investing to provide the right level of service in an efficient way
- Paying our colleagues fairly to attract and retain talent
- Paying our fair share of tax
- Putting money aside for bad debts

Why we need to make profit

We are member-owned and do not pay any shareholder dividends, however we need to make profit to:

- Maintain financial strength
- Invest in the Society for the benefit of our membership as a whole (for example, maintaining our branch network, improving digital capability and customer experience, enhancing our colleague working environment) and to set up the business for future success
- Provide benefits for the communities in which we operate

A key element of our mutual business model is also providing social value to our stakeholders, and there are some examples of how we do this below.

Our Impact Report demonstrates the impact of our ESG activities and clearly outlines our aim to drive positive social and environmental impact through what we do, now and into the future. The report is published on our website at **leedsbuildingsociety.co.uk/your-society/agm**

We deliver social value through the provision of
Members and brokers
A range of mortgages – to enable borrowers to achieve the basic societal need of having a home; supporting first time buyers and home owners to move onto and up the property ladder and to remain in their home.
Competitive savings rates – on a range of simple products designed to meet the different savings needs of our members and enable them to save for what's important to them, including to buy a home.
A secure home for members' savings – our financial strength means we are able to generate robust profits that enable us to remain financially resilient and allow us to make longer term decisions in the best interest of members.
Excellent customer service – our colleagues are focused on supporting the differing and evolving needs of our members and brokers, generating consistently high levels of satisfaction.
Colleagues
Opportunities for professional growth – we offer a culture that is inclusive and supportive, with meaningful roles that are fairly rewarded. We support colleagues to continually develop their skills, enabling them to build a career that is right for them. Our engagement scores place us within the top 25% of the UK financial services sector benchmark.
Communities
Support for the communities in which we operate – we contribute directly to society through the work of the Leeds Building Society Foundation, our fundraising efforts, colleague volunteering scheme, and by paying our fair share of tax to support essential services.
Environment
Propositions which support a reduction in climate risk and environmental impact – the increased focus on climate issues presents further opportunities for the traditional mutual model to evolve and deliver innovative solutions that contribute to a sustainable future. **We continue to take actions to reduce our own emissions footprint.**
Third parties
Products and services developed and delivered through working with a number of trusted third parties – who uphold our values and align their goals and objectives with our ESG aims.
Regulators
A strong focus on risk management and customer-centred decision-making – with our **Mutuality Statement**[2] and **ESG Policy**[3] setting out how we continually strive to do the right thing for our members, colleagues, communities and the environment in which we operate.
Investors
A safe and secure investment – we maintain our financial stability through strong income performance, a continued focus on cost efficiency and by keeping a robust liquidity position, and always striving to act responsibly as a business.

2 This can be found on our website at **leedsbuildingsociety.co.uk/your-society/about-us/mutuality**
3 This can be found on our website at **leedsbuildingsociety.co.uk/your-society/financial-information**

Progress on 2024 corporate priorities

During 2024 we have continued to take actions to support our purpose, and almost one in two of our new mortgages was lent to first time buyers, supporting 17,600 into their own home. We also supported almost 3,000 customers who were experiencing financial difficulty to stay in their homes, such as by working closely with them to agree an affordable and sustainable forbearance solution. We continued to launch new products dedicated to supporting members into home ownership, and restricted lending on holiday lets in two popular UK tourist hotspots as part of a 12-month trial, because of the impact these have on availability of homes for local residents. We've also been advocating for a fairer planning system, through commissioning research and publishing a new public policy proposal pushing for wider community input within the planning process.

During the year, we've continued to deliver against our strategy by focusing on our corporate priorities. We've demonstrated our responsiveness through a changing economic and market environment and have pushed forward on developing our innovation capability for the future, whilst also improving customer experience, products, and propositions for our mortgage and saving members. Our progress against our corporate priorities is detailed below.

Corporate priority	Progress in 2024
More responsive model	
Ensure we have highly engaged and empowered colleagues, a diverse workforce and talent pipeline to respond to our changing context and needs	• In 2024 our engagement score in our annual survey was 8.4 (out of 10), a 0.1 increase year-on-year, and sits above the UK financial services sector benchmark, and our score was 8.7 (out of 10) when colleagues were asked how likely they would recommend Leeds Building Society as a place to work. In March and October, we surveyed colleagues with a reduced question set to enable us to more regularly monitor colleague sentiment. • We regularly review our talent strategy and activities to develop a more diverse pipeline. • We delivered our Empowering Allyship programme to 86% of our colleague base, focused on upskilling our colleagues on the role they play in our inclusion and diversity (I&D) agenda.
Build a sustainable technology platform and rapid transformation capability	• We've made significant progress in our core banking transformation programme, with build activity well underway and key processes, technology environments and tooling established that will enable us to continue to progress at pace. • We've migrated to our strategic cloud-based identity and access management solution, enhancing security for all online customers through providing authentication, and a new assisted registration journey.
Maintain the capital strength and cost efficiency to support our differentiated product mix and thrive though the economic cycle	• We maintained our strong capital position throughout the year, with all capital ratios significantly in excess of the regulatory minima. • Our costs have increased in the year as we have invested in our multi-year technology programme and long-term sustainability, but we maintain a strong focus on efficiency with close control over our costs. Our cost ratios remain among the best in our sector.
Lead the business and our members through the transition to net zero	• We've continued to take action to reduce our greenhouse gas emissions. We've also updated our climate targets to change from a 2021 to a 2024 base year, and revised the required emissions reductions in line with the new requirements of the Science-Based Targets initiative (SBTi). At the end of 2024, we were behind against three of our existing climate targets (measured against a 2021 base year), due to external factors that are largely outside of our direct control (such as the rate of decarbonisation of UK housing stock). Refer to our climate-related financial disclosures on pages 47 to 60 for further details. • We've published our inaugural Climate-Related Financial Disclosures and Transition Plan, based on the Transition Planning Taskforce's guidance, which sets out our climate ambitions and the actions and accountabilities that will underpin delivery. This can be found on our website at **leedsbuildingsociety.co.uk/press/financial-results**.

Corporate priority	Progress in 2024
More responsive model (continued)	
Lead the business and our members through the transition to net zero (continued)	• We continue to reflect energy efficiency savings in the affordability assessment for new build homes. We also continue to offer an energy efficiency assessment tool to members in conjunction with the Energy Saving Trust. • We continue to work in partnership with Keepmoat to support the first large-scale development of low carbon affordable houses built to the Future Homes Standard. Initial insights from research we have co-funded on the benefits of these homes have been positive.

Corporate priority	Progress in 2024
Close-the-gap innovation	
Develop streamlined lending journeys to make it easy for members and brokers to do business with us	• We've continued to invest in technology and have maintained our efficient average times from mortgage application to offer at 13 days in 2024 and achieved an average broker net promoter score (NPS) of +58. • We launched our digital direct-to-customer mortgage journey for customers who want to purchase a property without obtaining advice, providing them with the option to apply via our website, making the process much easier and more efficient. • We also implemented a new advised rate switch journey within Mortgage Hub, delivering a smoother, faster rate switch journey for brokers and members.
Proactively spot opportunities to meet the needs of our members and intermediaries through our data and insights	• We continued to deliver purpose-led product innovation, informed by the needs of our members and prospective first time buyers through bespoke and ongoing research. • We've increased automation and dramatically reduced delivery time for new data solutions, enabling us to respond to customer and broker needs quicker than ever. We have positively impacted members by providing insight to improve key business processes like reducing friction and wait times for registering power of attorneys and deceased members.
Develop capabilities and an innovation mindset focused on helping more people onto and up the property ladder	• During 2024 we launched our first range of products designed specifically for first time buyers, including our new Income Plus mortgage, to support them in overcoming the difficulties of raising a deposit and the high cost of housing. • We've amended our lending criteria to increase the LTV on a number of residential mortgages for new build and existing build properties, in order to support aspiring home owners to purchase these types of properties with a smaller deposit. We've also expanded our Reach Mortgages offering through our direct advised channel, a product which allows brokers to give mortgage options to customers whose credit score means they wouldn't qualify for a standard product. • We worked with the Department of Levelling Up, Housing and Communities, other lenders and mortgage intermediaries to develop the Grenfell Assisted Home Ownership Scheme, which launched in May, giving victims of the disaster the ability to purchase their new homes in the way they would have been able to purchase their previous property. • During 2024 we won a number of awards demonstrating our commitment to first time buyers and our shared ownership proposition, including What Mortgage's 'Best Shared Ownership Mortgage Lender' award for the ninth consecutive year.

Corporate priority	Progress in 2024
Step-up savings	
Cherish our branch network and the service and loyalty it delivers	• As part of our Property Strategy, during 2024 we continued to invest in our branch network, including opening a new branch in Solihull and relocating our Gloucester and Stevenage branches. • We continue to have one of the most productive branch networks amongst our peer group per the latest eBenchmarkers analysis[4]. • Member satisfaction with our branch network remains extremely high, at an average of 94% during 2024.
Deliver a multi-channel experience that meets member needs and drives a step-change in awareness, accessibility, and service	• During 2024 we launched our new Digital ISA application, with one in five of our members now using mobile to apply for an ISA with us. We've made it easier for members to pay into their savings for example by using a debit card, and we've completed the biggest update to our digital savings servicing experience, with both online and mobile seeing an improved log in journey. • All new services we've introduced via the digital channel have been developed in accordance with the international World Wide Web Consortium's Web Content Accessibility Guidelines, improving the support for our vulnerable customers. • As a result of actions taken to improve our digital proposition, our digital customer experience measure improved in 2024. • As noted above, we've improved the process for registering power of attorneys and deceased members and have established a dedicated team to support members and their loved ones through this difficult time. • We've worked to improve consistency in service across our channels; for example, average wait times to speak to a colleague in our contact centre have reduced from 77 seconds in 2023 to 44 seconds in 2024. In 2024 we won 'Contact Centre of the Year (under 250 seats)' at the North East Contact Centre Awards.
Define and deliver a savings member value proposition that creates connection beyond rate	• As noted above, we've continued to invest in our branch network, as well as our savers' digital experience through improved application processes and ways of managing their money online. • During 2024 net retail savings have grown by £3.7 billion taking us to a record total of £24.5 billion. We are committed to providing our members with an efficient online channel for accessing their savings and we cherish our branch network to give members the choice of how they save and interact with us. • We have paid 0.79% above the average market savings rate during 2024, equating to £175.0 million[5] in extra interest for our savers.
Across all strategic drivers	
Delivery of our purpose is underpinned by the effective identification and management of the risks we face	• For information on our identification and management of risks faced by the Society, please see the Risk Overview on pages 41 to 44, Climate-Related Financial Disclosures on pages 47 to 60 and the Risk Management Report on pages 62 to 89. Also see our inaugural Climate-Related Financial Disclosures and Transition Plan which has been published on our website at **leedsbuildingsociety.co.uk/press/financial-results**.

4 eBenchmarkers Savings Report, Autumn 2024 – customer advisor productivity
5 Source: CACI's CSDB, Stock, January 2024 to December 2024, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

Our culture

We are committed to supporting colleagues to do their best work every day. Our people leaders play an important role in creating the conditions for individuals to thrive and feel proud about their contributions to supercharging our purpose.

We know our colleagues make the difference

Creating opportunities for our colleagues to have a valued voice is of paramount importance. We empower our colleagues to champion changes that help us evolve and be even better, delivering a lasting impact so that we can continue to deliver our purpose. There are several ways that we listen to our colleagues and create opportunities for two-way dialogue across the Society.

Colleague surveys: in 2024 we ran three colleague surveys to monitor colleague sentiment and provide an avenue for feedback. 92% of our colleagues completed our annual survey, with a minimum of 85% completion on our pulse surveys. Our engagement score in our annual survey was 8.4 (out of 10), a 0.1 increase year-on-year, and sits above the UK financial services sector benchmark.

Colleague Association: our CEO Richard Fearon, and NED Annette Barnes, our Colleague Engagement Champion who leads on elevating colleague voice on the board, met regularly with members of our Colleague Association. With 1,300 members this feedback loop ensures senior leaders are focusing on what matters most to our colleagues.

> "Great organisational size, genuine interest in colleague voice which is reciprocated with a positive approach to all colleagues and an apparent eagerness to constantly improve the life of colleagues beyond salary."

Colleague forums: across the Society we have several colleague led groups:

- I&D forums: on DiverseAbility, Ethnicity and Cultural Heritage, Gender Equality, LGBTQ+ and Wellbeing with representatives from all business areas, meeting monthly with our I&D team. The forums support our I&D strategy, with sponsorship from a senior leader.
- Colleague Voice networks: within divisions focused on providing consistent colleague experiences through direct feedback locally to leadership teams.
- Green Champions: work to increase colleague awareness around climate and environmental impacts, providing opportunities for colleagues to share suggestions and complete volunteering activity which has a positive environmental impact.

Culture audit: in 2024 our Internal Audit function undertook a culture audit to assess the Society's culture and how well our agreed behaviours are embedded. Over 100 colleagues from across the Society were invited to take part in this audit, through focus group discussion and individual interviews, covering all divisions and grades. There was a high degree of correlation between the outputs of the audit and results of our colleague engagement survey. The outcome confirmed that the Society culture is good and progress has been made since our last audit, with three thematic areas to build upon to elevate performance. For more detail on the culture audit, see the Corporate Governance report on pages 99 to 117.

Across 2024 members of our executive team also led on our colleague roadshow in February and thank you visits at half year. These provide an all-colleague update on how we are delivering on our purpose, with open Q&A available. Our board also hosted several colleague focused sessions including with members of our I&D forums, with our Chair of the board, Iain Cornish, attending forum meetings across the year. Representatives from our female NEDs also hosted two female networking dinners. To read more about the board's engagement with colleagues, see pages 99, 106, 108-111.

A space to belong and feel valued

We're building a Society where our colleagues feel they belong. A truly collaborative environment where diverse perspectives are sought to fuel innovation and help to deliver our purpose. We do this by embedding inclusive practices into everything we do, recognising our colleagues for the value they bring and providing the right support and guidance to support our teams.

Inclusion and diversity

Our I&D Strategy, Being You; Transforming Us, is focused on ensuring our colleagues have a true sense of belonging. We continue to make progress on this agenda, achieving a score of 9.0 out of 10 in our annual colleague survey on I&D, which places us in the top 10% of financial service sector employers. The independent review, and endorsement, of our plans through achieving Gold accreditation with Inclusive Employers in 2023 provides confidence in our activity, and we will continue to create awareness and develop skills to further embed our inclusive practices.

> "Friendly, supportive and inclusive place to work which also values work life balance."

Our greatest challenge remains in increasing the diversity of workforce at senior leadership levels. We regularly review our talent strategy and activities to develop a more diverse pipeline, which is informing our internal and external interventions. Updates on progress and suggested actions have been discussed at Executive Committee (ExCo) meetings, with an annual update to the board in September. We continue to focus our efforts on divisions with underrepresentation, for instance improving gender diversity in technology which has seen our female hires increase from 32% in 2023 to 48% in 2024. To further help us understand the diversity of our workforce, we have expanded our diversity data set to include a broader range of characteristics beyond gender and ethnicity; we have approximately 70% disclosure on these new questions. More information on the diversity of our workforce can be found on page 123.

Recognising our colleagues
We continue to review how we support our colleagues in feeling valued for the contributions they make to the delivery of our purpose. Our annual Excellence in Action awards celebration recognises colleagues from across the Society based on nominations received to specific award criteria and in 2024 we received 181 nominations for this event. To ensure continuous recognition, in July 2024 we launched quarterly Excellence in Action awards, aligned to our four behaviours. We have received 123 nominations to date and winners of our quarterly recognition are invited to our annual Excellence in Action celebration event.

> "Great to be part of a business taking on a role in improving things for society through its role in industry, pushing forward on purpose, green & community initiatives."

Meaningful reward
It is important that our colleagues feel fairly rewarded for their contributions and we are proud that our colleagues scored us a 7.8 out of 10 on the colleague survey 'I am fairly rewarded (e.g. pay, promotion, training) for my contributions to Leeds Building Society' putting us in the top 25% for financial sector employers.

Since 2019 we have been a Real Living Wage Employer, paying colleagues at least the Real Living Wage. Our minimum salary from April 2025 will be £13.18 per hour, which is £0.58 above the Real Living Wage (outside of London). As part of our pay practices, we review salary benchmarks annually against job specifications, adjusting where required. Our 2024 Gender Pay Gap report showed 25.7% and 27.0% for mean and median respectively. The main driver for our pay gap continues to be the makeup of our workforce as we have fewer women than men in more senior, and therefore highly paid roles. As part of our reward process, we regularly review our benefit provision and in 2024 launched an electric vehicle salary sacrifice scheme and an improved colleague mortgage scheme.

A home for colleagues to thrive and grow

We encourage colleagues to continually develop their skills, supporting them to thrive at work and build a career that is right for them. We know that by creating the conditions for our colleagues to thrive, they will do their best work, generate new ideas and enable us to deliver our purpose.

Developing skills
All colleagues can develop their skills and are encouraged to build their personal development plan with support from their people leader. We offer a variety of options from self-directed learning through to facilitator led training to support our colleagues on their development journeys. In March 2024 we launched a new digital learning platform Thrive! providing access to a range of resources tailored by the business to support personal growth. This learning platform is intuitive, with colleagues able to record their skills and learning needs and be pointed to learning that helps them progress in the areas they highlight. Internal subject matter experts can also create learning content to further support cross-skilling and knowledge sharing across the Society. Since launching, learning content has been viewed 247,296 times, an average of 134 times per colleague.

We are mindful that the skills we have now will not necessarily be the skills we need for the future. To support the ongoing success of the Society we work with our business areas and use external insight through our partnerships with organisations like the Financial Services and Skills Commission to review any potential skill gaps in our future needs. This insight helps to inform the development of our future learning resources, be that developing our internal offer, investing in apprenticeships or funding external development programmes.

Supporting our colleagues to thrive at work
Our colleague wellbeing is core to our success and colleague sentiment on the Society's wellbeing approach is positive, +0.6 ahead of the UK financial services sector benchmark and placing us in the top 25% for UK financial services sector employers.

We provide tools and opportunities to enable colleagues to be at their best. Our offer includes a variety of flexible working arrangements, supported through our digital channels with 30% of our colleagues adopting a flexible working arrangement. This is alongside continuing to work in a hybrid model for our office-based teams. We also offer a variety of wellbeing benefits, including access to wellbeing support through our free Colleague Assistance Programme, external wellbeing app 'Peppy', access to a virtual GP service and cash health plan.

Developing our leadership capability
We know our leaders have a significant impact on creating the right environment for every colleague to thrive and feel motivated to deliver meaningful work and develop their skills. To ensure we have a high calibre of leadership and set ourselves up well for the future, we:

- Have a dedicated 'Leading with Purpose' training provision to support leaders in developing their leadership skills. This can be personalised to their needs, helping them enhance their skills now and for the future.
- Brought our leadership population together in November for our 'Supercharging Our Performance' conference, focused on aligning behind our strategic context, ambition and progress, and enabling them to create the conditions for high performance for themselves and with their teams. The conference was the catalyst to building stronger relationships across this leadership group, who will now meet more regularly.
- Support the development of diverse talent into our leadership positions as a key focus:
  - In 2024 we launched two female development cohorts who have networked with our female NEDs and then undertaken 12 months of group mentoring with a female director.
  - Initiated several pilots to explore female-focused external leadership development programmes.

To further support our people leaders, we have also reviewed and made enhancements to our digital human resources (HR) system including easy-to-use people leader guides, through to simplification of core policy documents and our most used HR processes. We know that through setting our leadership teams up for success, we can create the right conditions to drive high performance and deliver on our purpose.

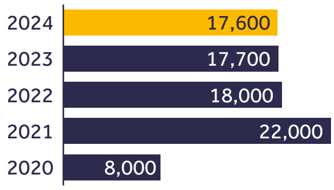
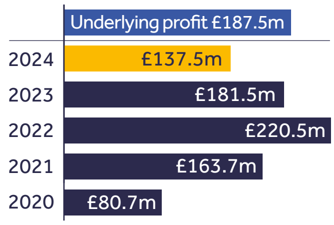
Beyond our teams
We are passionate about promoting the financial services sector as an industry where individuals can thrive and build a career that is right for them. We know that this will support the industry in attracting the best, diverse talent, helping us meet the needs of our communities. That's why we've continued to invest in our digital work experience programme – we are keen to engage with students from diverse backgrounds and 338 enrolments have been made to date, with 69% from ethnic minority backgrounds and 22% eligible for free school meals. We are also members of the Financial Services Skills Commission, with representation on their board and across working groups to help inform and tackle the challenges the industry is facing collectively.

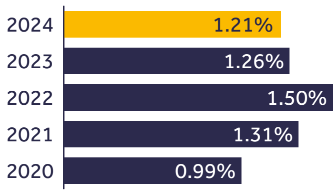
More details relating to how we support our colleagues can be found in the 'Supporting our colleagues' section of our Impact Report.

The Impact Report can be found at **leedsbuildingsociety.co.uk/your-society/agm**

Key performance indicators

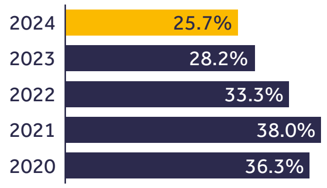
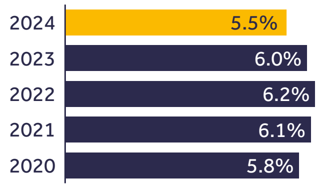
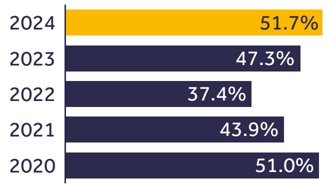
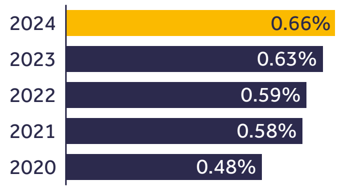
The Society measures its performance against its strategic drivers using a number of key performance indicators (KPIs), including both financial measures, as defined under International Financial Reporting Standards (IFRS), and non-financial measures. Alternative performance measures (APMs) given below are in common use across the financial services industry and are useful in explaining the performance of the business. The APMs are defined in the Glossary on pages 225 to 228.

<table>
<tr><th colspan="4">KPIs</th></tr>
<tr><th colspan="4">Home ownership</th></tr>
<tr><td>First time buyers</td><td>The number of new mortgage members in the year who are first time buyers, demonstrating our purpose of putting home ownership within reach of more people.</td><td>
</td><td>We remain committed to helping first time buyers get on to the housing ladder in line with our purpose. Despite continuing challenging market conditions and competition, first time buyer members represented almost half of our 2024 new mortgage members.</td></tr>
<tr><th colspan="4">More responsive model</th></tr>
<tr><td>Underlying profit before tax</td><td>Statutory profit before tax after adjusting for one-off items</td><td rowspan="2">
</td><td rowspan="2">Statutory profit has decreased compared to the previous period predominantly due to the recognition of three one-off items. Underlying profit has increased modestly compared to 2023 – balancing support for members and ensuring financial resilience generation after generation.

Underlying profit before tax has been adjusted for one-off items being the repurchase of PIBS, the revaluation of our Head Office building and the cost of the voluntary financial support scheme for customers whose trusts were impacted by the collapse of Philips Trust Corporation (PTC). Further detail can be found on pages 31 to 32.</td></tr>
<tr><td>Statutory profit before tax</td><td>Statutory profit before tax, as reported in the income statement, creating capital to support future business growth.</td></tr>
<tr><td>Net interest margin</td><td>The difference between interest received on assets and interest paid on liabilities, measured as a percentage of mean assets. This is the Society's main source of income.</td><td>
</td><td>Net interest margin has stabilised despite the falling interest rate environment and competitive market for both mortgages and savings. However, it has improved when compared to the second half of 2023 (1.18%) following a period of competitive pressures last year, from higher funding rates and a competitive mortgage market.</td></tr>
</table>

KPIs

More responsive model (continued)

Common Equity Tier 1 (CET1) ratio	The highest quality form of capital, which mainly comprises retained earnings and other reserves, as a proportion of risk weighted assets (RWAs). This is measured to help make sure that the Society retains an excess over the regulatory minimum.		The reduction in our CET1 ratio results from the recognition of three one-off items through the Income Statement in 2024, combined with an increase in RWAs which was driven by an increase in Internal Ratings Based (IRB) risk weights and the growth in the Society's mortgage book. Despite this reduction, we remain in excess of all capital regulatory requirements and well placed to meet any future regulations.
UK leverage ratio	Another measure of capital strength. Measured as the Society's Tier 1 capital as a proportion of relevant total assets excluding central bank reserves.		Our UK leverage ratio has remained comfortably above internal limits, through careful management of our balance sheet and profitability in a challenging environment. We continue to invest surplus capital to further our purpose.
Cost to income ratio[6]	A cost efficiency ratio which measures costs in relation to the Society's income. It is calculated as the percentage of the Society's total income spent on administrative expenses and depreciation and amortisation.		Increases in costs reflect the investment made in our multi-year technology programme and long-term sustainability. We maintain close control over our costs, balancing cost efficiency with the desire to increase member value through more resilient systems and improved service. Our cost ratios remain among the best in our sector. If transformational costs were excluded, the cost to income ratio was 46.6% and the cost to mean asset ratio was 0.59%. To calculate our cost to income ratio we have removed the impact of the PIBS buy-back as this is considered to be a one-off item in 2024. More details can be found on pages 31 to 39. Note the PTC and Head Office revaluation one-off items do not impact the cost ratios.
Cost to mean asset ratio	An additional cost efficiency ratio which measures costs in relation to the Society's total assets. It is calculated as administrative expenses plus depreciation and amortisation, divided by average total assets.		
Colleague engagement score	Colleague engagement is measured through our survey platform. Across 2024 we ran two pulse surveys (March and October) and conducted our full survey in July.		Our 2024 engagement score from our full survey was 8.4 out of 10, which was a 0.1 increase from our score in 2023. This score maintains our placement in the top 25% for UK financial services sector benchmark.

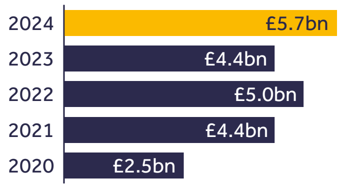
6 For the purpose of this ratio, the PIBS buy-back has been excluded.

KPIs

Close-the-gap innovation

New (gross) residential lending

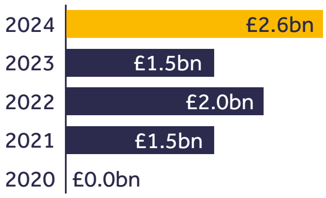
The value of residential lending advanced by the Society during the year, including loans for house purchases, remortgages and further advances.



Our purpose-focused product proposition has allowed us to support 37,200 new members in their home ownership aspirations and deliver our strong levels of gross lending. We had our highest ever day of mortgage completions during 2024.

Net residential lending

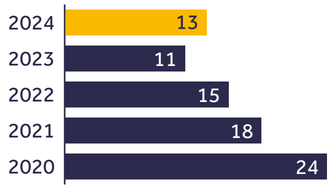
Gross residential lending, less repayments of principal and redemptions.



Our strong levels of new lending and competitive product transfer offering to existing customers coming to the end of their initial product term have driven a significant increase in net lending.

Number of days from mortgage application to offer

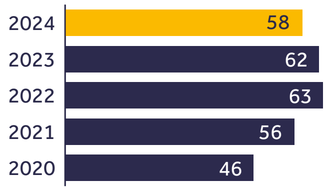
The average number of business days it takes to issue a mortgage offer from initial receipt of the application.



Continuous investment in technology has enabled us to maintain efficient average times from mortgage application to offer and to best serve our members. We continue to turnaround applications quickly, despite record lending volumes.

Broker Net Promoter Score (NPS)

Demonstrates how likely brokers are to recommend the Society to their peers. Calculated using the percentage of people who are extremely likely to recommend and subtracting those who are unlikely to recommend.

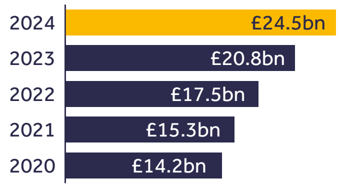


Our broker NPS remains high as we continue to focus on the broker experience and a streamlined process for issuing offers. This remains a priority and is one of the key areas we anticipate will improve as we continue our technology investment.

Step-up savings

Savings balances

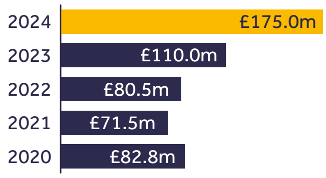
The value of shares and deposits held by the Society's members and other customers, as reported in the statement of financial position.



Our attractive product range, particularly our fixed rate ISAs and competitive variable rate products, has helped us deliver record net savings growth in the year of £3.7 billion.

Extra savings interest

The extra interest for our savers of paying above market rates to savers, based on the Society's weighted average savings rate compared to the rest of market rate.[7]



We consistently pay above average market rates to our savers, paying an average of 4.13% compared to the rest of market average of 3.34%.[7]

Member satisfaction

The percentage of customers surveyed who described themselves as quite, very or extremely satisfied with the service received from the Society.

During 2024 we have focused on delivering consistently high service levels to our members and this is reflected in our customer satisfaction score.

7 Source: CACI's CSDB, Stock, January 2024 to December 2024, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

ESG Strategy

At the end of the fourth year of our ESG Strategy (which runs from 2021 to 2025) we are pleased to report good progress, with all but five out of our 15 ESG KPIs on target at the end of 2024, as illustrated on page 24. These targets will be kept under review to ensure we continue to stretch our ambition. The themes of our ESG Strategy were developed following extensive consultation with over 3,800 stakeholders on what issues were most important to them.

Our Impact Report outlines in more detail how we are delivering our ESG Strategy, and is structured around our key stakeholder groups: 'Supporting our members', 'Supporting communities', 'Supporting our colleagues' and 'Supporting the climate and environment'. The report can be found on our website at **leedsbuildingsociety.co.uk/your-society/agm**.

Key achievements this year

Supporting our members

- We're proud to say that our purpose-led strategy has supported 17,600 first time buyers onto the housing ladder in 2024, which was almost one in two of our new mortgages.
- We've launched Income Plus, a new product which is designed to overcome the difficulties of raising a deposit and the high cost of housing. We also continue to offer several products which support people to buy their own home such as our Home Deposit Saver, Shared Ownership Saver, and Reach mortgages. Our partnership with Experian Boost may also improve affordability prospects for some buyers.
- During 2024 we stopped holiday let lending in two popular UK tourist spots as part of a 12-month trial with local authorities, in places where housing pressures are more acute.
- We've published a new public policy proposal pushing for wider community input within the planning process. This included research from our commissioned report 'The Case for Inclusive Planning'[8].
- We've supported almost 3,000 customers who were facing financial difficulty to stay in their home. We continue to offer tailored support to members who struggle with their mortgage repayments, and have not charged arrears fees[9], such as failed direct debit fees, since the start of the Covid-19 pandemic.
- As noted above, we've consistently paid above average market rates to our savers during 2024.
- As part of our branch refresh programme across 2024 we updated our Gloucester and Stevenage branches and opened our 51st branch in Solihull. For each branch, we focused on creating welcoming and accessible spaces for all needs.
- We've refreshed our accessibility and support page for our members highlighting the range of tools and services we offer, including our accessibility panel and the Sign Solutions service.

Supporting communities

- We awarded over £1 million to communities during 2024, supporting 240 charities and community groups.
- Since launching our new charity partnership with Barnardo's in April 2024, we have raised over £130,000 to support care-experienced young people at high risk of homelessness.
- We raised more than £1 million for our previous charity partner Dementia UK since 2020, doubling our original four-year target of £500,000, and our support has helped to deliver over 4,000 dementia advice appointments both in branches and online.
- We funded several community projects that support diverse groups of people who typically experience barriers to home ownership into safe and secure homes, such as projects run by Leeds Action To Create Homes (LATCH) and Pride of Place Living.
- We worked with Become, the national charity for care-experienced children and young people, to create a training programme to support young people into their first tenancies.
- The Leeds Building Society Foundation awarded over £340,000 in grants to 61 charities, which align with its purpose of helping people in need of a safe and secure home.
- Colleagues volunteered more than 6,400 hours to support good causes. For example, they have continued to support our environmental charity partners, spending over 1,100 volunteering hours supporting their projects, including planting over 2,500 trees in partnership with Yorkshire Dales Millennium Trust, and maintaining a mile of waterway behind our Leeds Head Office with the Canal & River Trust.

what MORTGAGE AWARDS - 2024 WINNER - Best Shared Ownership Mortgage Lender

We've been awarded What Mortgage's 'Best Shared Ownership Lender' for the ninth year in a row.

8 This can be found on our website at **leedsbuildingsociety.co.uk/inclusive-planning**
9 Third party costs, such as solicitor costs, are passed onto the customer.

Supporting our colleagues

Our colleague engagement score of 8.4 out of 10 puts us in the top quartile of financial sector employers, with 92% of our colleagues completing our annual survey. For I&D, our colleague score of 9.0 out of 10 places us in the top 10% of UK financial services sector employers.

- 247,296 pieces of learning content have been viewed since the launch of our new learning experience platform in March 2024.
- Our Allyship training has been completed by 86% of our colleagues, and we've achieved approximately 70% disclosure rate on new equality data sets including areas such as social mobility.
- We've continued sponsorship and attendance at both Leeds Pride and Leeds West Indian Carnival.
- We've increased our Menopause Champions numbers and provided further training, and we've been accredited as a Bloody Good Employer by Bloody Good Period for work undertaken to raise awareness around menstruation.
- We've revamped our recognition tools, launching Quarterly Excellence in Action awards and had 5,177 recognitions shared as part of our digital recognition tool.
- Our Green Champions colleague group produced educational campaigns on COP 29 and Earth Week, supporting local environmental charities, and monitoring and sharing branch energy consumption data with colleagues in branches to promote energy efficient behaviour.

Supporting the climate and environment

- We've updated our climate targets to change from a 2021 to a 2024 base year, and revised the required emissions reductions in line with the new requirements of the SBTi.
- We've published our inaugural Climate-Related Financial Disclosures and Transition Plan, based on the Transition Planning Taskforce's guidance, which sets out our climate ambitions and the actions and accountabilities that will underpin delivery.
- We're undertaking a refurbishment programme for our network of branches, which includes removing gas from all of our buildings to make them more energy efficient, and we have installed 60 solar panels at our Leeds branch as part of a trial. We're also increasing engagement with suppliers to influence reductions in emissions from the goods and services we buy.
- We continue to reflect energy efficiency in the affordability assessment for homes, and we're continuing to work with Keepmoat to support the first large scale development of low carbon affordable homes built to the Future Homes Standard.
- We've partnered with Wates and a select group of banks and building societies to launch its latest Sustainable Innovations Competition to support new green technology solutions within the banking sector. This provides us with a unique opportunity to explore cutting edge decarbonisation pilot projects with some of the UK's most innovative businesses.

Governance

- During 2024 we received a strong Sustainalytics ESG audit score, which has improved since our assessment in 2023. Our overall risk rating continues to be Low, placing us within the top 15% of lending peers. We also gained an Morgan Stanley Capital International (MSCI) ESG rating of Average, (p)BBB, and we plan to build on this score in future.
- We have produced our third standalone Impact Report to clearly outline our ESG Strategy and progress against our goals and have continued reporting with reference to the Global Reporting Initiative standards.
- We have recently published our Financial Crime Policy on our website, which together with our ESG Policy[10], aims to increase transparency of our ESG activities.

Our ESG goals

We made good progress against our ESG targets during 2024, meeting all except five of our KPIs relating to climate and diversity. We are committed to achieving our 2030 I&D targets for our leadership population and are confident that the plans we have in place will enable us to make progress towards these targets across 2025. Refer to pages 24 and 48 to 60 for details of our performance against our climate targets. As part of our commitment to transparency we also continue to publish an annual Impact Report, which outlines progress in more detail.

10 This can be found on our website at **leedsbuildingsociety.co.uk/your-society/financial-information**

Our ESG targets

Help 65,000 first time buyers into a home of their own by 2025.

Progress: Ahead

2024 target: 52,000 first time buyers supported by the end of 2024
2024 actual: 73,300 first time buyers supported by the end of 2024

Improve mortgage broker satisfaction scores by 20% by 2025[1].

Progress: On track

2024 target: +58 Broker NPS[2]
2024 actual: +58 Broker NPS[2]

Maintain an average savings rate premium of at least 0.25% compared to market average.[3]

Progress: Achieved

2024 target: >0.25%
2024 actual: 0.79%

Sustainable communities

Provide £3 million to charities and communities through grants, donations and sponsorship by 2025.

Progress: Ahead

2024 target: £2.4 million by end of 2024
2024 actual: £3.6 million by end of 2024

Maintain our share of UK high street branches at higher than 0.50%.[4]

Progress: Achieved

2024 target: >0.50%
2024 actual: 0.73% (as at March 2024)

Inclusion and Diversity

Achieve 45% female representation in leadership roles by 2030.[5]

Progress: Behind

2024 target: 38%
2024 actual: 33%

Achieve 10% ethnic minority representation in leadership roles by 2030.[5]

Progress: Behind

2024 target: 7.5%
2024 actual: 6.0%

Our inclusion and diversity colleague sentiment score is in top 25% of UK financial services by 2030.

Progress: Ahead

2024 target: Top 25% by 2030
2024 actual: 9 (Top 10%)

Climate and Environment[6]

Reduce absolute Scope 1 and 2 market-based emissions by 90% by 2030.[7]

Progress: Behind

2024 target: 30% reduction
2024 actual: 265% increase

Reduce absolute Scope 1 and 2 location-based emissions by 60% by 2030.

Progress: Ahead

2024 target: 20% reduction
2024 actual: 24% reduction

Maintain carbon neutrality for Scope 1 and 2 market-based emissions and selected Scope 3 emissions, on the pathway towards net zero.[8]

Progress: Achieved[9]

2024 target: 0 tCO2e
2024 actual: 0 tCO2e

Reduce absolute Scope 3 emissions (categories 1-14) by 25% by 2030.[10]

Progress: Behind

2023 target: 5.6% reduction (latest data available)
2023 actual: 17.0% increase (latest data available)

Ambition to reduce the intensity of our Scope 3 financed emissions (category 15) from our residential mortgage book by 45% by 2030.[10]

Progress: Behind

2023 target: 10.0% reduction (latest data available)
2023 actual: 4.4% reduction (latest data available)

Trust and Transparency

Maintain strong colleague engagement score which places us in line with the UK financial services sector benchmark.[11]

Progress: Achieved

2024 target: Top 25%
2024 actual: 8.4
(placing us in the top 25%)

Maintain high member satisfaction scores of over 90%.[1]

Progress: Achieved

2024 target: >90%
2024 actual: 94%

Key:

Ahead
Where the cumulative performance to date is >5% above the target on a pro-rata basis (where appropriate).

On track
Where the cumulative performance to date is between 100%-105% versus the pro-rata target.

Behind
Where the cumulative or in-year performance is below the associated target.

Achieved
Where the reported performance for the year is in line with or above the in-year target.

1. Broker satisfaction is captured by independent research of 900 interviews between January and December 2024. Overall customer satisfaction is captured from a survey of 3,463 members from January 2024 to December 2024.
2. The Net Promoter Score® (NPS) is a measure of satisfaction and loyalty based on survey responses. It measures the proportion of promoters less the proportion of detractors. We use the NPS methodology to measure satisfaction among the brokers we work with.
3. CACI's CSDB, Stock, January 2024 to December 2024, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.
4. Based on bank and building society UK business count data, Office for National Statistics, March 2024.
5. Excludes executive and non-executive directors. Whilst we are behind on our progress, we continue to prioritise our inclusion and diversity efforts and are working to deliver these by our target date of 2030.
6. Our carbon emission reduction measures were revised in 2024 and will be applicable from 2025 (refer to our climate-related disclosures on pages 47 to 60 for further details). The targets shown in the table are our existing measures, which began from a 2021 base year.
7. Our Scope 1 and 2 market-based emissions target was behind in 2024 due to issues outside our direct control. We expect these emissions to reduce in future in line with our revised (2024-2034) target set out on page 56.
8. Scope 3 emissions include business travel, fuel and energy related activities, waste, and home working.
9. Subject to independent verification which will be completed during 2025.
10. Our Scope 3 targets were behind due to issues outside our direct control. We expect they will continue to track above our revised (2024-2034) targets on pages 58-59 due to the external challenges and uncertainties that we face.
11. Our Employee Engagement Survey provider (Peakon) enables us to measure colleague sentiment and benchmark this against other financial services organisations in the UK.

Stakeholder engagement

Our approach to corporate governance is based on the principles and provisions of the 2018 version of the UK Corporate Governance Code (the Code) – available at **frc.org.uk**. In order to meet the requirement for a Section 172 Statement (insofar as it is relevant to a building society), we include a summary of how the board has carried out its duties in promoting the success of the organisation. This includes how the board engages with stakeholders and remains cognisant of their needs when running the business. Further detail on the board's activities and its engagement with stakeholders can be found in the Corporate Governance Report on pages 99 to 117.

The board's approach

The Society considers the needs of a diverse range of stakeholders, which have been identified as those who may be affected by our activities and those groups whose actions can affect the operation of the business. These stakeholders are also actively considered in the development of the Society's strategy, specifically members' product and servicing needs, the expectations of regulators, the needs of mortgage brokers, views of investors and credit rating agencies, as well as any potential impact on colleagues. The board recognises that agreeing a strategy, which is cognisant of key stakeholders, will optimise long-term value creation and ensure relevance in a fast-changing environment.

Examples of two key decisions made by the board during the year and how stakeholder impact was considered, are shown on pages 29 to 30: specifically the board's decisions to appoint a new Chair and to begin the next phase of our core banking transformation programme.

Our behaviours help to underpin a strong culture appropriate for a mutual organisation, encouraging actions that are in the best interests of members and other stakeholders. Demonstration of the behaviours in the workplace forms a key part of our performance management approach. For further information on culture and how this is monitored, see the Corporate Governance Report on pages 99 to 117.

Stakeholder engagement

We have set out below our key stakeholder groups and how we engage with them. KPIs relevant to members, colleagues and brokers can be seen in the KPIs section on pages 19 to 21.

Stakeholder group	Why they are important to us	How we engage with them	Reporting to the board
Members and brokers	Members own the Society, and the Society acts to benefit members' interests over the longer term. Most of our lending is done via brokers who are essential to us in the process of helping people into homes of their own.	• Independent external customer and broker research. • Gain feedback though our online panel TalkingPoint. • Trustpilot. • Annual General Meeting (AGM). • Social media. • Brand perception tracking with our members and brokers.	The board balances the interests of borrowing and saving members, as well as brokers, when making decisions about the Society's short- and longer-term strategy. It does so through consideration of the following reporting: • Annual analysis of five-year forecast of member joiners and leavers and monthly reporting. • Regular reports on service performance, customer outcomes and complaints. • Regular reporting of member experience ensures service and product meet our members' needs. • Consideration of mutual dividend. • Reporting on savings rate benefit. • Consideration of member input on specific topics e.g. development and shaping of a new purpose-led product (Income Plus mortgage).

Stakeholder group	Why they are important to us	How we engage with them	Reporting to the board
Colleagues	Colleagues are critical to the success of the Society. Having a culture where our colleagues can contribute, feel valued and have a sense of belonging will support us in creating high performing teams to better serve our members.	• Department, branch and contact centre visits. • Colleague surveys – at least one full survey per year, with the option of short pulse surveys. • Colleague Association with board appointed Colleague Engagement Champion Annette Barnes (NED) meeting with the Colleague Association quarterly in 2024. • Attendance by Iain Cornish (Chair) at I&D forum meetings. • Colleague development and wellbeing sessions. • Meaningful recognition tools, from an 'in the moment' thank you in our recognition reel to our Excellence in Action awards initiative. • Purposeful squad work with cross divisional teams on colleague facing activity. • Communication on matters relevant to colleagues and the Society. Further information on engagement with colleagues can be found in the Our Culture section on pages 16 to 18, within the Corporate Governance Report on pages 110 to 111, and in our Impact Report.	• Colleague survey engagement results. • Colleague update from colleague representative and 'Voice of the colleague' board sessions. • Colleague Association topics. • Pension scheme information. • Update on diversity and progress against our targets. • Annual Speak Up policy review and approval. • Update on progress of our Colleague Strategy. • Review of approach and activities for senior leadership team (SLT) talent succession.
Third party suppliers	Our supplier partners are key to our ability to develop and deliver services to members and are an important aspect of how we are represented with our other stakeholders. Our supply chain includes suppliers of goods and services, including professional services (such as conveyancing services), IT platform services (access and administration) and IT software licences. We select suppliers based on their ability to reliably deliver services that enhance our members' experience, their alignment to our behavioural standards and the measurable benefit we receive. Our Third-Party Management Policy includes a clear risk-based classification of suppliers which enables us to take a more consistent and risk-appropriate approach to our management of each engagement.	• Governance meetings at appropriate levels take place in accordance with the materiality of the relationship. • Our policies and standards drive a fair and transparent supplier selection and relationship management process for new and renewed requirements, proportionate to business risk.	• Appropriate governance forums, including the board where necessary, have received regular updates on the progress made against our Third-Party Management Framework and are involved in decisions on suppliers for key strategic projects, for example as part of our core banking transformation project. • Management information on suppliers and our approach to managing third-party relationships. • Annual approval of modern slavery and transparency statement.

Stakeholder group	Why they are important to us	How we engage with them	Reporting to the board
Communities	Leeds Building Society was set up to help members save and buy homes of their own. As a mutual, we also aim to make a positive difference in wider society and the board understands that our mortgage and savings business needs to be underpinned by a broader commitment to the communities in which we operate. Our communities are defined as the places where our members and colleagues live and work. However we consider social issues as well as geography in defining where we focus our efforts.	• Engagement via communication with charity partners and their beneficiaries. • Colleagues nominate, volunteer and raise funds for charities and community groups. • Commitment to pay our fair share of tax as evidenced by our Fair Tax Mark accreditation. More detail, as well as further information on ESG at Leeds Building Society, can be found within the ESG section on pages 22 to 24 and within our Impact Report.	• Approval of our updated ESG Strategy targets and regular updates of progress against these. • Ongoing progress reports on the impact of our charity grant making, fundraising and colleague volunteering.
Environment	We are committed to minimising our impact on the environment in the places in which we operate, as well as managing environment-related risks. This is also an increasing focus for our wider stakeholders.	Our Climate Strategy has been designed to support our key stakeholders through an orderly transition to a net zero economy by 2050 or sooner. This includes: • Discussions held with a wide range of stakeholders, including government bodies, industry bodies and stakeholders, building society peers and third-party experts. • Engaging and supporting our members and colleagues to reduce their carbon footprint. • Working collaboratively with third parties to understand and reduce the emissions from our supply chain. For further information on our carbon emissions and engagement with stakeholders on climate issues, please see our climate disclosures on pages 47 to 60 and our inaugural Climate-Related Financial Disclosures and Transition Plan.	• Progress reports on our climate data and insights. • Approval of updated climate targets and ambitions and our new transition plan.

Stakeholder group	Why they are important to us	How we engage with them	Reporting to the board
Regulators	Our regulators, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), are responsible for maintaining a safe and sound financial system, as well as ensuring consumer protection. Meeting regulatory requirements engenders trust from our stakeholders and demonstrates that we are doing the right thing.	We have an open and transparent relationship with our regulators, including: • Regular dialogue and interactions with our regulators both directly and through our industry bodies. • Regular meetings held with the PRA which are attended by our CFO and CRO along with members of the SLT. • Regular meetings with the FCA, which are attended by the director of Legal, Compliance and Secretary and appropriate members of the SLT. • Monitoring regulatory publications from the regulators and wider stakeholder groups. • Reviewing regulatory publications and taking action as required. We adopt a proactive approach with the regulators and update them of any material points as they arise.	• The board receives updates on regulatory matters and a summary of key regulatory actions being undertaken by the Society. • Material dialogue and interactions with our regulators are shared with the board as appropriate. • The board has sight of the progress in delivery of regulatory actions. • The PRA engages directly with directors, e.g. the Periodic Summary Meeting.
Investors	Investors provide an important part of our funding, which supports our aim to help members into homes of their own. We have a variety of different types of investors who support our Wholesale Funding Strategy across secured and unsecured types of debt. Our financing strategy aims to have the appropriate level of diversification of funding, so we are not exposed to only one type of funding.	We have an active investor relations strategy, including: • Individual meetings with key institutional investors. • Group presentations. • Attendance at investment conferences. • Investor events. Regular and close dialogue is maintained with credit rating agencies, including formal annual review meetings.	• Investor relations approach considered as part of the Wholesale Funding Strategy, contained within the overall Treasury Strategy, as approved by the Assets and Liabilities Committee (ALCO).

Key decisions made in the year

The key decisions taken this year by the board have been mindful of all stakeholders' needs, while benefitting our members over the long term. These decisions aim to improve member, broker and colleague experience, as well as increasing our financial stability through improving income performance or reducing costs. This means that we can continue to operate successfully in the future for the benefit of all our stakeholders.

Examples of two such key decisions made in 2024 are given below, and a summary of board activities during the year can be found in the Corporate Governance Report on page 108.

Progress on core banking transformation project (June 2024)

Stakeholders impacted

Members & brokers | Colleagues | Regulators

Context

Our existing core banking system is at the centre of our business operations. It's a mass of knowledge, holding customer information, data and transactions on our savings and mortgage accounts, and a wealth of other information from across the Society. Whilst changes have been made to it over the years, to ensure our long-term sustainability we need to continue to invest in our core system capabilities that will provide more flexible and resilient applications to provide the foundation for future strategic transformation. In 2023 it was agreed to invest in new core technology which will support us in our ambition to put home ownership within reach of more people for generations to come. Delivery of the project has been divided into individual phases; due to the complexity and size of the project, each phase requires board approval before it commences. In June 2024 the board approved the decision to move from the initial design phase to the first delivery phase.

Considerations and discussion

To support the board in its decision-making, detailed updates were provided throughout the year, including progress updates, the requirements of the next stage and a detailed cost analysis. The ways in which the board has considered its stakeholders as part of its decision-making process are shown below:

Board members: An independent technical advisor was appointed to provide technical advice to the board on the requirements of the new core technology updates and to provide support to the board during the development and delivery phase of the project. The project director also attended several board meetings for question and answer sessions with the board.

Colleagues: Throughout the development phase the board has sought to ensure that colleagues are updated on its transformation plans and a dedicated hub was established on the colleague intranet, which sets out what the objectives are, a clear timeline for delivery, along with explanations as to progress and next steps during each phase. It also clearly sets out how the implementation of new core technology will support both colleagues and members and what the future benefits will be for all involved. Some of the key benefits are shown below:

- Implement a more intuitive document management system.
- Improve colleague experience through the provision of systems with better functionality.
- Provide greater insight on data from across the Society.

Members: The board is mindful that the purpose of implementing new core technology is to ensure the long-term success and sustainability of the Society and to allow us to fulfil our purpose, through providing more opportunities to develop purposeful and innovative products, which allow us to continue to support our members over the longer term. Discussions to progress to the next stage also centred on the impact to the Society's Customer Division and how additional resource would be required to ensure service levels were maintained throughout the delivery phase.

Regulators: Regular updates have been provided to our regulators, which will continue until the project is completed.

Outcome: The board agreed that the first phase of the project had been successful and approved the decision to transition to the first delivery phase.

Appointment of new Chair (November 2024)

Stakeholders impacted

Members & brokers | Colleagues | Regulators

Context

In 2023 Iain Cornish announced his decision to step down as Chair of the Society in 2025, after six years on the board. Following his decision, a number of succession planning meetings were held with members of the Nominations Committee and led by Gareth Hoskin, as the senior independent director, without Iain Cornish being present. Following an assessment of the skills matrix and detailed discussions over the requirements of the role, a recruitment plan was developed along with a proposed timeline. Consideration was given to the external search firms which could be used to support recruitment and it was agreed to appoint Warren Partners, an executive recruitment agency, to provide a diverse short list of candidates.

Considerations and discussion

In May 2024, following a recommendation from the Nominations Committee, the board approved the appointment of Brendan McCafferty, first as an independent NED (commencing September 2024) and subsequently as Chair (commencing March 2025), subject to regulatory approval.

The impact on stakeholders was considered as outlined below:

Board members: Board members received regular updates on the recruitment process at each board meeting. Prior to Brendan's appointment, it was agreed that it was important for him to meet with the rest of the board. Consequently, he was invited to attend the board strategy conference in May, where he also met with members of the Senior Leadership Team.

Regulators: The appointment of a new board member and Chair was discussed with members of the Nominations Committee and a timeline was agreed for the submission of the appropriate applications to be made to the FCA and PRA. The PRA was also informed about the upcoming appointment and was provided with subsequent updates at the regular meetings held with the Society's PRA supervisor.

Members and colleagues: The Society recognises the importance of keeping colleagues and members informed of changes to the board and this was taken into account during the succession planning meetings. Following Iain's announcement to step down, an update was provided on the colleague intranet, which confirmed that a recruitment process was underway. Once Brendan's appointment as Chair was formalised, a further update was provided to colleagues in December which outlined the intended date on which he would become Chair, as well as details of his skills and experience and other external appointments. Details of Iain's departure was included in the Society's 2023 Annual Report and Accounts and the 2024 AGM documentation issued to our members. Iain also provided an update in his address to members who were in attendance at the AGM. A further public announcement was made in December 2024, via the regulatory news service, confirming the details of Brendan's appointment as Chair, subject to regulatory approval.

Outcome: The board was satisfied with the recruitment and selection process undertaken and agreed that Brendan had the experience and skills required for the role. Following the recommendation from the Nominations Committee, it approved the appointment of Brendan McCafferty as Chair, subject to regulatory approval.

Financial Review

Year ended 31 December 2024

Overview

Throughout 2024, the economic environment in the UK has remained challenging and uncertain, both for members and the Society. The rising cost of living continues to impact households and, despite two reductions during the year, the Bank of England (BoE) base rate remains high. Through these challenges, we have been able to support our members more than ever before and deliver robust financial results with record breaking trading performance. Serving our members, furthering our purpose of putting home ownership within reach of more people and maintaining a sustainable and secure Society have remained our priorities.

We continue to offer our members a wide range of products at accessible rates. The strength of our product proposition together with the quality of service we provide to our members contributed to our record lending figures this year. Despite competition in the market intensifying in the second half of the year, with several of our peers following our focus on the first time buyer market, our gross new lending and net lending both reached record highs, of £5.7 billion (2023: £4.4 billion) and £2.6 billion (2023: £1.5 billion) respectively. Our market share of new mortgage lending was 2.3% (2023: 1.9%).

During November 2024 we achieved our highest ever monthly number of mortgage completions, which is a testament to the evolving capabilities of our mortgage application system which is providing a good experience for members and brokers. This year also saw the release of a new range of products designed specifically for first time buyers, including our new innovative Income Plus mortgage range, as well as expanding our Reach Mortgages offering.

It has been a record year for savings and more members are benefitting from the quality of our offerings. Our savings balances reached £24.5 billion at the end of 2024 and the investment we made in our digital journey has contributed to net retail growth of £3.7 billion, with many more members remaining with the Society as they come to the end of fixed term products. We have helped our savings members by consistently paying above the average market rate, which equates to an extra £175.0 million[1] in their pockets.

In 2024, we achieved an underlying profit of £187.5 million, which represents a £6.0 million increase year-on-year (2023: £181.5 million) and our total assets increased to £31.6 billion, which is an all-time high. Statutory profit before tax for 2024 was £137.5 million and included the cost of three one-off items. Capital and reserves exceed £2.0 billion and liquidity levels are well above regulatory requirements. As a result of our strong capital position, the opportunity was taken to simplify our balance sheet and repurchase our PIBS at a fair price in April 2024. This resulted in a one-off cost of £23.4 million but will save £3.3 million in interest payments per year into perpetuity. These savings in interest payable will be reinvested in delivering our purpose for the benefit of current and future members.

During the year we also incurred one-off costs of £10.3 million in respect of the voluntary financial support we offered to those members who were impacted by the collapse of Philips Trust Corporation. When it became apparent that members' investments associated with their trusts were at risk, we made the decision to stand by those members and offer a significant voluntary financial support scheme to support impacted members at this challenging time. We worked hard during the financial year to compensate impacted members, with £6.2 million of voluntary financial support payments processed before the year end. The cost of this voluntary support and the associated legal costs have been recognised as a one-off charge and the remaining provision of £3.6 million will be utilised during the first quarter of 2025 as we process all remaining payments.

This year, the directors felt it appropriate to obtain an updated valuation for the Society's Head Office building, the previous valuation having been undertaken in December 2022, when market transaction activity was limited following the Covid-19 pandemic. During the period since then there has been a decline in the Leeds commercial property rental market and the latest valuation, undertaken in December 2024 and based on an open market, vacant possession scenario, resulted in a £16.3 million reduction in carrying value. The full amount has been recognised as impairment in the Income Statement and has been treated as one-off, therefore added back in the calculation of underlying profit.

Our multi-year technology transformation programme continues to progress at pace, and this will lead to increased functionality, security and resilience of our systems, as well as an improved experience for our members, colleagues and intermediary partners. We remain focused on investing wisely and driving cost efficiency, meaning our underlying cost to income ratio continues to be one of the lowest in the financial services sector, at 46.6% when adjusted for the PIBS buy-back and transformation costs.

1 We paid an average rate of 4.13% against the rest of the market average of 3.34%. CACI's CSDB, Stock, January 2024 to December 2024, latest data available.

Financial Performance

The Group Income Statement for the year is summarised below:

	2024 £M	2023 £M
Net interest income	362.9	337.6
Fees, commissions and other income	(17.6)	26.6
Fair value gains/(losses)	10.3	(6.7)
Total income	**355.6**	**357.5**
Management expenses	(196.0)	(169.0)
Impairment credit/(charge) on loans and advances to customers	5.7	(6.1)
Impairments on property, plant and equipment and intangible assets	(17.5)	(0.2)
Provision for voluntary financial support	(10.3)	–
Other impairments and provisions	–	(0.7)
Profit before tax	**137.5**	**181.5**
Tax expense	(37.6)	(47.6)
Profit after tax	**99.9**	**133.9**
Underlying Profit before tax	**187.5**	**181.5**

The Group profit before tax in 2024 was £137.5 million (2023: £181.5 million). This includes three one-off items relating to the repurchase of the PIBS of £23.4 million to optimise our capital position, the £16.3 million charge recognised following a revaluation of our Head Office building and the £10.3 million cost of the voluntary support provided to members impacted by the actions of Philips Trust Corporation.

Excluding one-off items, underlying profit before tax remained strong at £187.5 million, which was a modest increase of £6.0 million when compared to 2023 – a pleasing achievement when considering the economic environment.

	2024 £M
Profit before tax	137.5
Add back:	
PIBS repurchase[2]	23.4
Head Office revaluation loss[3]	16.3
Philips Trust Corporation – voluntary financial support[4]	10.3
Underlying profit before tax	**187.5**

Net interest income

	2024 £M	2023 £M
Net interest income	362.9	337.6
Mean total assets	29,879.3	26,829.9
	%	**%**
Net interest margin	1.21	1.26

Net interest income has increased by £25.3 million (7.5%) in the year and net interest margin has stabilised despite the falling interest rate environment and competitive market for both mortgages and savings. This is due to the proactive choices we have made to manage our balance sheet, protecting net interest margin over the medium term with a positive trajectory as we moved through 2024 and into 2025.

We have remained agile whilst trading through a volatile environment. Regular changes have been made to products and rates to keep our growth aspirations within reach. Whilst the BoE base rate reduced in the second half of the year, we still paid an average interest rate of 4.13% (2023: 3.05%) to our savers, compared to the average market rate of 3.34% (2023: 2.46%)[5].

The decision to repurchase our PIBS resulted in a one-off charge to the Income Statement, but this will lead to a £3.3 million interest saving per year, which will be reinvested into the Society to deliver our purpose and create value for our members.

2 Included in the Other operating (expense)/income line in the Income Statement.
3 Included in the Impairment of property, plant and equipment and intangible assets line in the Income Statement.
4 Included in the Provisions charge line in the Income Statement.
5 Source: CACI's CSDB, Stock, January 2024 to December 2024, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

Fair value gains and losses

We hold certain financial assets and liabilities at their current fair value, defined as the value a market participant would be willing to pay or receive, and the movement in this fair value is recognised in the Income Statement. Changes in fair value are primarily due to timing differences, which will trend to zero as the asset or liability reaches maturity.

For the financial year ended 31 December 2024, we have recognised a net fair value gain of £10.3 million (2023: £6.7 million loss) from the movement in interest rates. These gains have largely been recorded on swaps transacted to manage interest rate risk associated with the fixed rate mortgages and savings products.

The Group continues to manage volatility and mitigate some of the impact of fair value movements using cash flow hedge accounting.

Management expenses

Management expenses for the year are summarised below:

	2024 £M	2023 £M
Colleague costs	106.1	102.9
Other administrative expenses	59.9	53.1
Depreciation and amortisation	10.6	9.1
Ongoing management expenses	**176.6**	**165.1**
IT transformation spend	19.4	3.9
Total management expenses	**196.0**	**169.0**
	%	%
Cost to income ratio[6]	51.7	47.3
Cost to mean asset ratio	0.66	0.63

Total management expenses increased by 16.0% during the year as we increased investment into our multi-year technology transformation programme, which will support operational efficiency, high customer service levels and technology resilience for many years into the future. During 2024 we transitioned into the implementation stage of the programme and this resulted in an increased level of spend when compared to 2023.

Our ongoing management expenses have increased by 7.0% when compared to 2023 and whilst our underlying cost ratios have increased, they remain impressive for our sector. We have maintained focus on cost management in 2024 and have operated in a cost-conscious way. If transformational costs are excluded, the cost to income ratio was 46.6% and the cost to mean asset ratio was 0.59%.

Included in ongoing management expenses are other administrative expenses, which have increased by £6.8 million in the year. This increase was predominately driven by the introduction of the BoE levy, which resulted in a payment of £3.7 million in the year. The BoE introduced a levy on banks and building societies in 2024 to provide the budget required by the BoE to advance its statutory objectives. This replaces the cash ratio deposit scheme, which required banks and building societies with eligible liabilities greater than £600 million to place a proportion of their deposit base with the BoE on a non-interest bearing basis. Further increases in other administrative expenses were related to an increase in licence fees for existing IT systems used across the Society.

6 For the purpose of this ratio, the PIBS buy-back has been excluded.

Impairments and provisions

The table below summarises the impact of impairments and provision charges in the year:

	2024 £M	2023 £M
Residential loans	(4.8)	6.3
Commercial loans	(0.9)	(0.2)
Impairment (credit)/charge on loans and advances to customers	**(5.7)**	**6.1**
Other impairments and provisions[7]	27.8	0.9
Total impairments and provisions	**22.1**	**7.0**

Residential impairment

A provision is recognised for expected credit losses (ECL) that may be incurred within the residential mortgage book. This is based on the probability of default (PD) on each mortgage, which results in an estimated loss. Provisions are also estimated using assumptions related to future economic scenarios and by assessing any increases in risk on each mortgage since origination.

The quality of the Society's mortgage book remains high, with arrears percentages remaining stable over 2024, despite ongoing cost pressures on households. At 31 December 2024, 0.61% of borrowers were greater than or equal to 3 months in arrears (2023: 0.64%). We have maintained robust lending criteria and policies as we continue to increase the overall proportion of purposeful lending whilst ensuring the quality of the asset base is maintained.

The economic environment has improved during the financial year, with falling inflation, a rise in house prices, reductions in the base rate and stable unemployment rates. These are all signs of a stronger economy, and the improved outlook has been reflected in the modelled economic scenarios and revised post model adjustments (PMAs). The impact on profitability for the financial year is a £4.8 million release (2023: £6.3 million charge).

The key judgements and estimates involved in the calculation of impairment loss provisions are set out in note 2 of the accounts on pages 176 to 184.

Total impairment loss provisions against residential mortgages at 31 December 2024 are £45.4 million (2023: £53.5 million) and overall coverage remains at sufficient levels to address the potential risk of future losses.

	2024 £M	2023 £M
UK	37.1	44.5
Overseas	8.3	9.0
Total residential impairment provisions	**45.4**	**53.5**
UK coverage	0.15%	0.21%

Taxation

The income tax expense of £37.6 million (2023: £47.6 million) represents 27.3% (2023: 27.2%) of profit before tax. We pay UK corporation tax at the prevailing rate of 25.0% for 2024 (2023: 23.5%). We also pay a surcharge on banking profits over the defined thresholds, at 3.0% for the year (2023: 4.25%).

7 Includes the provision for voluntary financial support in relation to Philips Trust Corporation and the revaluation of our Head Office building.

Assets

Our strong lending and savings growth is reflected in overall balance sheet growth of 12.5% from £28.1 billion to £31.6 billion.

	2024 £M	2023 £M
Residential mortgages	24,448.1	21,836.4
Commercial mortgages	3.3	6.1
Other loans	145.0	153.6
Impairment provision	(45.9)	(54.9)
Loans and advances to customers	**24,550.5**	**21,941.2**
Liquid assets	6,545.5	5,559.3
Derivative financial instruments	371.1	443.6
Fair value adjustments	(173.1)	(132.3)
Fixed and other assets	318.6	334.1
Total assets	**31,612.6**	**28,145.9**

Loans and advances to customers

Our loans and advances to customers comprise mainly UK residential mortgages. Our legacy overseas residential and UK commercial loan portfolios continue to pay down, with no new lending taking place. Other loans consist of a collateral loan that represents a pool of equity release mortgages purchased from a third party, where some of the risks relating to those mortgages were retained by the third party.

Residential mortgage asset quality	2024 %	2023 %
Proportion of mortgages in arrears[8]	0.61	0.64
Proportion of mortgages in arrears (UK)[8]	0.58	0.61
Balance-weighted average indexed LTV of mortgage book	54.2	51.2
Balance-weighted average LTV of new lending	66.8	62.3

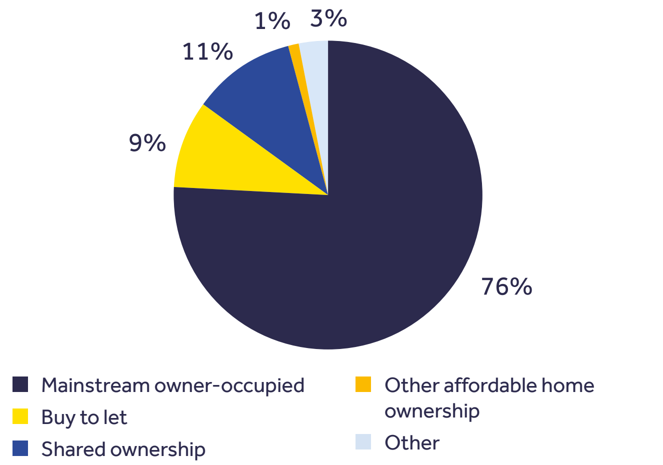
UK residential mortgage balances

The Society's purpose is to enable home ownership, with a particular emphasis on first time buyers and affordable home ownership products such as shared ownership.

The composition of our mortgage book reflects our segmental lending strategy of recent years, with buy to let and shared ownership making up significant proportions of the book alongside mainstream owner-occupied.

The chart below shows the mix of new lending by product type in 2024.

2024 new residential lending by type



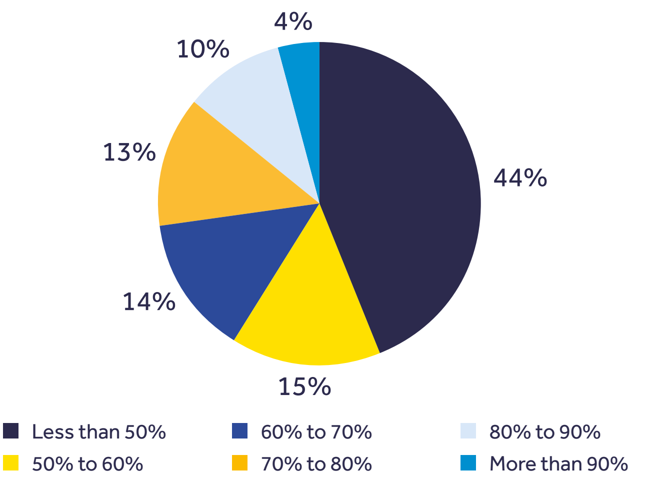
8 Greater than or equal to 3 months in arrears

We remain committed to helping first time buyers get on to the housing ladder and our lending policy reflects an appropriate balance between supporting home ownership and protecting both existing and future members. Mainstream owner-occupied is the majority proportion of our portfolio. Our performance in the shared ownership sector continues to be positive, with our second-highest year ever of shared ownership completions in 2024 (£0.6 billion).

We have increased the overall proportion of purposeful lending, resulting in a modest uplift in average LTV. We have approached this in a considered way to ensure maintenance in the quality of the overall asset base. The average LTV of new lending in 2024 was 66.8% (2023: 62.3%), reflecting our balanced, risk-managed approach.

This approach, along with the effect of house price inflation, is reflected in the distribution of the LTV profile of the portfolio shown below. In 2024, we increased the overall proportion of purposeful lending, resulting in a modest uplift in average LTVs as we strove to drive our purpose forward and break down barriers to home ownership in a considered way.

2024 UK residential mortgage balances by indexed LTV



Liquid assets

Liquidity ratios	2024 %	2023 %
Liquidity Coverage Ratio	183	227
Liquid assets as a percentage of shares and borrowings	22.52	21.77

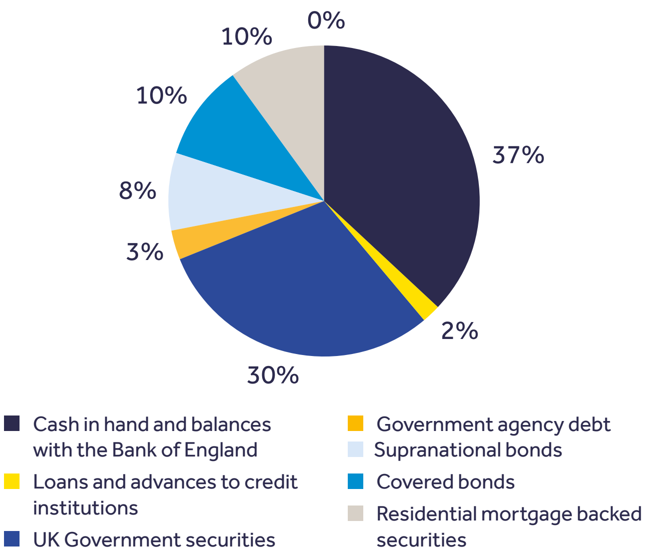
At 31 December 2024, liquid assets increased to £6.5 billion (2023: £5.6 billion), of which £6.3 billion are High Quality Liquid Assets (2023: £5.0 billion), which are either in cash or are readily realisable as cash when required. Our Liquidity Coverage Ratio (LCR) remained strong at 183% (2023: 227%) and is significantly above the regulatory minimum of 100%.

Liquid assets are principally held in deposits at the BoE, investments in UK government securities, and investments in other securities rated highly by credit rating agencies. The quality of liquid assets remains very high with 100% of our portfolio rated A or above (2023: 100%).

The Society continues to attract members with its competitive savings products, which in turn has helped us maintain a robust level of liquidity to respond to future changes whilst placing member demand at the forefront. The Society has also utilised this liquidity to support our purpose and increase lending to our members. This has all been done whilst optimising net interest margin.

The mix of liquid assets at 31 December 2024 is shown below.

2024 liquidity portfolio



Liabilities

A summary of our liabilities is shown below:

	2024 £M	2023 £M
Shares	24,529.8	20,793.0
Wholesale funding	4,535.2	4,747.8
Derivative financial instruments	98.0	233.0
Other liabilities	387.0	371.8
Subordinated liabilities	334.2	323.9
Subscribed capital	8.0	33.0
Total liabilities	**29,892.2**	**26,502.5**
Equity attributable to members	1,720.4	1,643.4
Total liabilities and equity	**31,612.6**	**28,145.9**
Wholesale funding as proportion of total borrowing	15.6%	18.6%

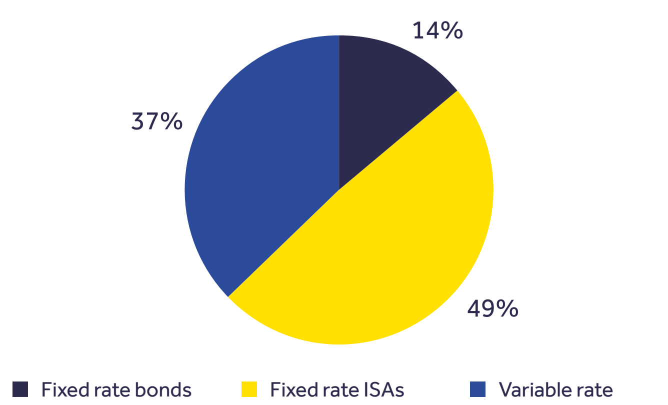
Shares (retail savings)

Our savings members play a vital role in allowing us to achieve our purpose of putting home ownership within reach of more people and we remain dedicated to providing them with a secure place for their money, with compelling products and competitive interest rates.

During 2024 our net retail savings grew by £3.7 billion (2023: £3.3 billion), taking total retail savings up to a record £24.5 billion. We have maintained high quality products throughout 2024, featuring in the top 20 best buy tables consistently throughout the year.

We offer our members a range of savings products, including easy access and fixed rate bonds and ISAs. The chart below shows the mix of savings balances by rate type.

2024 retail savings balances by type



This year our variable rate products have become more popular with our members, and 37% of our retail savings balances are now variable rate compared to 27% in 2023.

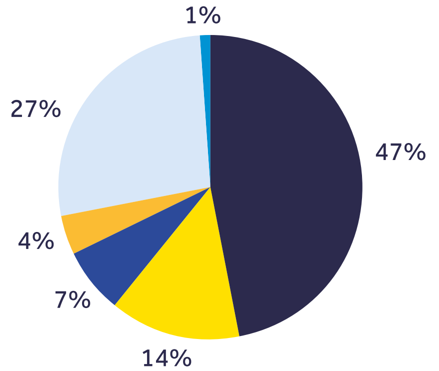
Wholesale funding

Total wholesale funding at 31 December 2024 was £4.5 billion (December 2023: £4.7 billion). During the year we raised £850 million of external wholesale funding through a successful Covered Bond issuance and also our Albion No.6 residential mortgage backed securities (RMBS) issuance. The deals were very well received by the market and were competitively priced in comparison to similar deals.

A proportion of the funds raised through these wholesale debt issuances has been used to repay £710 million of TFSME[9] funding.

The mix of our wholesale funding portfolio at 31 December 2024 is shown below:

2024 wholesale funding portfolio



We maintain secure credit ratings from two key agencies, reflecting our strong capital base, sustainable profitability and robust funding position.

Credit Rating	Long-term	Short term	Outlook
Moody's	A3	P-2	Stable
Fitch	A-	F1	Stable

Derivative financial instruments

We transact derivative financial instruments to mitigate risks within the balance sheet, primarily interest rate risk associated with offering fixed rate mortgage and savings products. In accordance with accounting standards, derivatives are initially recognised at fair value on the date that they are transacted and are subsequently re-measured monthly at their fair value.

We make use of fair value hedge accounting to reduce volatility in profits by hedging exposures to variability in the fair value of financial assets and liabilities. Changes in the fair value of derivatives that are designated in fair value hedges are recorded in the Income Statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

9 Bank of England's Term Funding Scheme with additional incentives for SMEs

Regulatory capital

We hold capital to protect members against unexpected future losses. As we grow our mortgage book, the amount of capital we need to hold to meet the UK Capital Requirements Directive V (UK CRD V) increases.

The Society maintained a strong capital position throughout the year, with all capital ratios significantly in excess of the regulatory minima. We have used the Internal Ratings Based (IRB) approach to calculate our capital requirement for the majority of our residential mortgage book since 2018.

Total regulatory capital has increased by £43.2 million during 2024 to £1,595.0 million (2023: £1,551.8 million). Our repurchase of PIBS resulted in a reduction in capital of £48.4 million but will deliver £3.3 million per year in interest savings as part of a more capital efficient structure.

The increase in RWAs to £6,171.0 million was predominately driven by an increase in IRB risk weights and growth in the Society's mortgage book. Further refinement in relation to the IRB regulations is ongoing across the industry and this is expected to be finalised in the next 12 months. Until the latest generation IRB models are approved by the PRA, a PMA is used to calibrate the model output. These increased capital requirements have been partly offset by strong capital generation through retained profits during 2024. As a result of these movements, the CET1 ratio, calculated on a transitional basis, has reduced to 25.7% from 28.2%.

The following table shows the composition of our regulatory capital. More detailed disclosures can be found in the Pillar 3 document available on our website at **leedsbuildingsociety.co.uk/press/financial-results**.

	2024 £M	2023 £M
Capital resources		
Common Equity Tier 1 (CET1) capital	1,584.9	1,508.9
Tier 2 capital	10.1	42.9
Total regulatory capital	**1,595.0**	**1,551.8**
Senior non preferred notes	351.1	350.0
Total MREL Eligible Resources	**1,946.1**	**1,901.8**
RWAs	**6,171.0**	**5,355.1**
CRD V capital ratios (note 1)	**%**	**%**
CET1 ratio	25.7	28.2
Total capital ratio	25.9	29.0
Total MREL ratio	31.5	35.5
UK leverage ratio (note 2)	5.5	6.0

Note 1: The capital ratios are calculated as relevant capital divided by risk weighted assets and the leverage ratio is calculated as Tier 1 capital divided by total exposure (total assets per the prudential group consolidated position subject to some regulatory adjustments).

Note 2: The UK leverage ratio represents the UK regulatory regime which excludes deposits with central banks from the leverage exposure measure. The UK regime does not apply to the Society as the applicable threshold set by the regulator (>£50 billion of retail deposits) is considerably in excess of the Society's balance. Despite not being captured by this regime, the Society continues to exceed the minimum 3.25% regulatory expectation.

New and emerging regulation

The Society is well-prepared to meet the requirements of the Basel 3.1 regulations, which come into force in January 2027. As an IRB lender, the predominant impact will be the new capital floor, to be phased in between January 2027 and January 2030.

Financial outlook

After reaching a peak in 2023, it appears we may have passed the highs of interest rates and have commenced a downward trajectory, as rates of inflation have reduced during 2024. We expect further reductions to the BoE base rate across the next three years, although this is expected to remain above the historically low levels seen in recent years.

The combination of falling headline interest rates and lower inflation should continue to support household income growth. We therefore anticipate strengthening economic growth, supported through higher levels of government spending. However, as illustrated at the start of 2025, vulnerabilities remain, especially with respect to levels of government borrowing and associated borrowing costs, so there continues to be a degree of uncertainty over both the speed with which inflation and interest rates reduce, with a high inflation and low growth environment considered a key risk. We also remain cautious over the potential impacts for the UK economy from global political instability.

Higher interest rates have been beneficial for savers so many will be disappointed that these are now starting to fall once again. However, for mortgage members, higher interest rates have increased the cost of borrowing, and there may still be members on fixed rate deals who will face higher rates when they reach the end of their fixed term. We remain committed to supporting members who may be in financial difficulty.

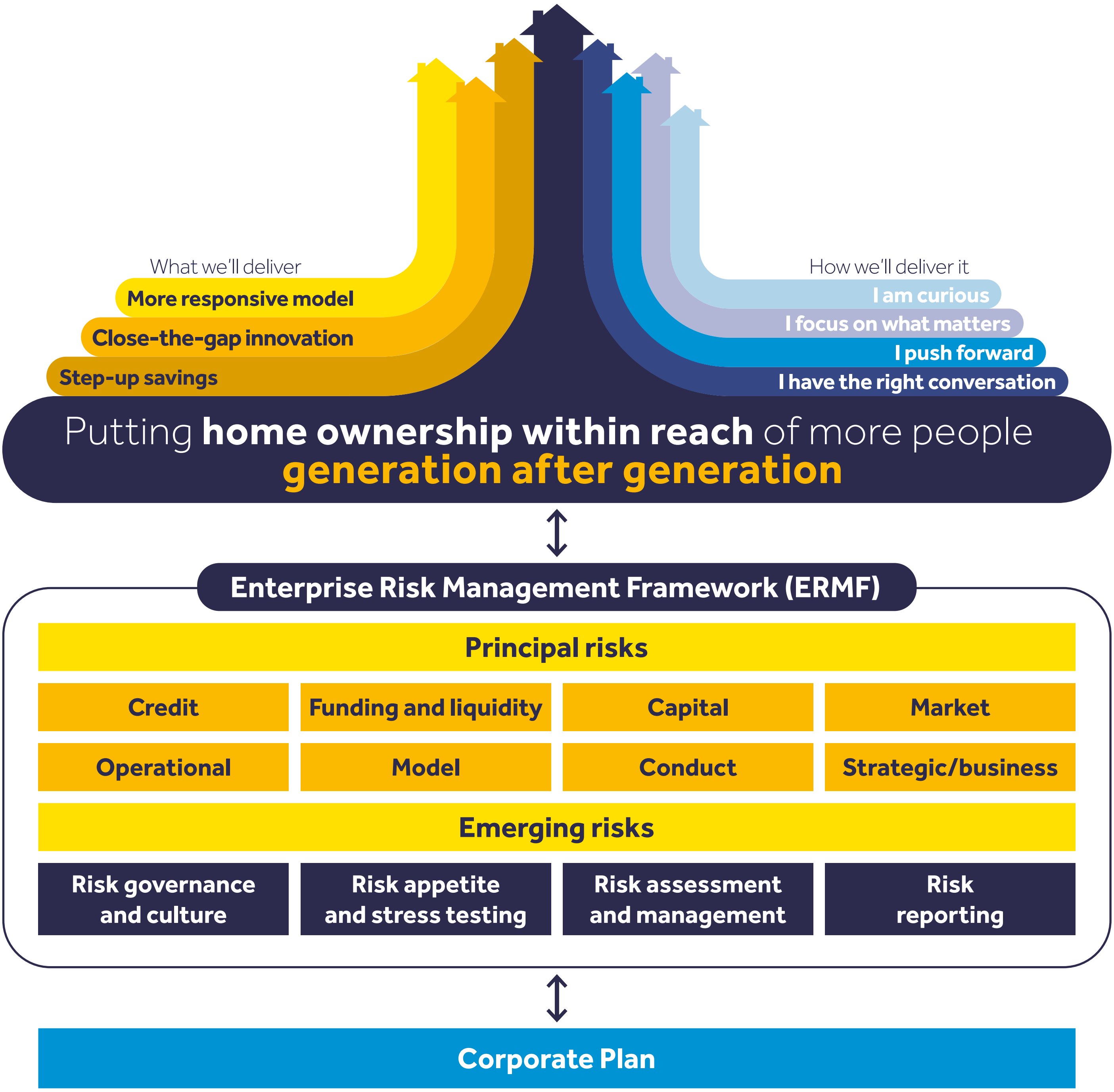
The strength of our balance sheet, business model and our high-quality assets, position us well to generate sustainable levels of profitability across the economic cycle and as we progress through the current challenges. We are resolute in delivering on our purpose of balancing support for our members with maintaining a resilient balance sheet and sustainable profit.

Risk Overview

Year ended 31 December 2024

Our purpose of 'putting home ownership within reach of more people – generation after generation' can only be achieved if risks are identified, understood and managed effectively. By understanding the nature of our risks, we can make informed decisions to support delivery of our strategic objectives and protect our longer-term viability and members' interests.

We deliver our purpose through a Corporate Strategy, which is built upon three strategic drivers (as described on pages 9 to 11). Inherent within this strategy are eight principal risk categories. These comprise credit; funding and liquidity; capital; market; operational; conduct; model and strategic/business risks. We operate an Enterprise Risk Management Framework (ERMF) covering all principal risk types and processes including risk governance, appetite setting, policies and key risk indicator reporting. In aggregate, this sets the risk parameters within which our Corporate Plan needs to be delivered, as well as providing appropriate triggers for management response under stressed conditions.



Enterprise Risk Management Framework

To ensure that risks are appropriately managed across the organisation, we operate a board approved ERMF, which sets out a structured approach to identifying, assessing, controlling and monitoring risks.

Further information on the Society's ERMF and its key components can be found on page 63 within the Risk Management Report.

Risk profile

The risks that we are exposed to fall broadly into two categories:

1. Principal risks

We have identified eight principal risks, which are inherent within our strategy and have the potential to significantly impact performance or viability. These principal risk categories remain consistent with those disclosed within the 2023 Annual Report and Accounts. Further information can be found on pages 67 to 89 of the Risk Management Report .

We do not view climate change as a separate principal risk category, but as factors that have a bearing across our existing principal risks. Refer to pages 49 to 54 for details of our assessment of the potential impacts of climate-related risks.

2. Emerging risks

Emerging risks are new or evolving risks where the impact is uncertain but they have the potential to materially impact our performance or strategic objectives.

When assessing emerging risks, we consider the likelihood of the risk materialising and the potential impact on our business strategy and stakeholders. These risks are considered by the board and Board Risk Committee (BRC), on an ongoing basis, as part of our strategic and business planning processes.

The most significant emerging risks are described below, along with a summary of actions we are taking to manage the risks.

Macroeconomic risks	
Overview	**Mitigating actions**
• The UK macroeconomic environment remains finely balanced. Whilst forecasters are expecting a pickup in growth during 2025, driven by government and consumer spending, several downside risks remain prevalent which may impact the economy e.g. the UK's fiscal position, persistent inflation and the threat of trade tariffs. • To date, the BoE has followed a cautious approach to loosening monetary policy, due to concerns around persistent domestic inflation. As a result, household finances remain under pressure as members transition onto higher mortgage rate products. • Despite uncertainties, the UK housing market proved to be resilient during 2024. Whilst market commentators are expecting a further pickup in transactions in 2025, concerns surrounding the UK economy/fiscal position could result in higher mortgage pricing and suppressed activity.	• Establishment of an appropriate corporate plan with performance closely monitored against trading ranges, early warning indicators and triggers by management and the board. • Horizon scanning and close monitoring of key economic data and forecasts to support timely management response. • Regular assessment of macroeconomic risks under both central and stressed conditions is performed to understand and manage the impacts e.g. tightening of lending appetite (volume, risk premia and mix). • Robust levels of capital and liquidity are maintained to absorb periods of economic volatility, supported by frequent stress testing and sensitivity analysis to understand the impacts on our balance sheet. • Close monitoring of our lending portfolios and regular review of credit policies, criteria, and affordability assessments to ensure they remain appropriate of prevailing economic conditions. • Pre-delinquency strategies are deployed to proactively engage members who may find themselves in financial difficulty.

Geopolitical risks	
Overview	**Mitigating actions**
• Geopolitical risks remain heightened with several key threats emerging or increasing. • Following several high-profile elections during 2024, material changes to policies and regulations by newly elected Governments are expected to be introduced, which will significantly shape the global landscape. In particular, changes to US economic policy and the potential threat of trade tariffs could result in a trade war. Other policies designed to promote growth could also result in financial instability, as regulations are relaxed. • Geopolitical rivalries also persist which continue to shape foreign policies and the economic landscape. In recent years, these rivalries have led to wars and conflicts, which are unlikely to end in the near term. These ongoing rivalries/conflicts, have the potential to impact the economy (higher inflation, interest rates and cost of living) as well as our operational resilience (disruptions to supply chains and an increased threat of sophisticated/state-sponsored cyber attacks).	• Horizon scanning and scenario testing is used to understand potential impacts from both a financial and operational perspective and develop appropriate response plans. • All new mortgage lending is restricted to the UK and exposures from our Treasury investments are closely monitored for geopolitical risks in line with our wholesale credit risk appetite. • Due diligence is completed with our key suppliers to understand and manage third-party exposures to geopolitical events. • Investment in our IT security and operational controls to improve overall resilience and ability to respond to evolving threats.

Competition risks	
Overview	**Mitigating actions**
• We operate in highly competitive markets, increasing the risk of a loss of market share, reduced revenue, and lower profitability. • Competition risks also relate to changes in UK policies and regulation as the government tries to encourage home ownership, developments in digital technology, new market entrants (predominantly Fintechs) and changes in customer behaviour.	• The competitive landscape is regularly reviewed, and our product proposition updated accordingly. • Competition risks are considered as part of our strategic and business planning activities, which set the future path for strategic investment and development to ensure that we can adapt accordingly. • Further investment is being made in our service and digital capabilities to support our product offering, customer journeys and future scalability and flexibility.

Operational resilience risks	
Overview	**Mitigating actions**
• A significant operational risk event could result in disruption to important business services, leading to customer harm, financial or regulatory impacts, or reputational damage. Such events could include the increasing threat of cyber attacks, third-party failure, loss of data or service outages. • Resilience to such threats and an ability to respond effectively remain essential to maintain service delivery and the trust of our members and the confidence of regulators.	• Resilience risks are monitored and managed through our Operational Resilience Framework, which includes regular scenario testing for potential resilience events. • Operational resilience processes are in place which aim to ensure that our important business services can recover in a timely manner in the event of disruption. • We continue to invest in our IT security and operational controls to improve overall resilience and ability to respond to these evolving threats. • We frequently monitor both the effectiveness of the services we receive, and the risks the third parties pose to us.

Risk Overview continued

Change risk

Overview	Mitigating actions
• Our change portfolio includes the delivery of a multi-year technology programme, other strategic initiatives and new regulatory requirements. • The volume of change activity could lead to increased execution, operational and people risks. • Failure to appropriately prioritise and deliver change on time and within agreed budgets may also inhibit our ability to achieve our purpose or strategic objectives.	• We continue to prioritise, manage and implement change in line with our strategic plans while assessing execution risks and taking appropriate mitigating action. • In addition, we continue to invest in our change management processes, capabilities, capacity, and governance to better control the execution risks associated with large scale change. • Use of independent external experts to provide assurance and board advice.

Technology risk

Overview	Mitigating actions
• Innovation in relation to artificial intelligence (AI) and associated technologies are creating new risks as usage becomes more prevalent within financial services. • Key risks include model risk (e.g. bias and discrimination or models not operating as intended), data privacy and security (improper handling of data through AI processes), cyber security (exploitation of AI systems by malicious parties) and accuracy/transparency risk (AI systems trained on inaccurate data sources).	• We continue to monitor the development of these new AI technologies, and we are developing our internal risk and control frameworks to incorporate the associated risks. • We are also investing to ensure we have the appropriate internal skills and capabilities to deploy required AI solutions.

Climate change risk

Overview	Mitigating actions
• Climate risk continues to be classified as an emerging risk due to uncertainty surrounding the exact nature and timing of the impact on our strategy and operations. Both transitional and physical risks could materially affect the Society's eight principal risks, with impacts dependent on the future path of climate change and timescales of government intervention and actions. • Stakeholder expectations continue to rise with regards to our management and response to climate risk, which could present heightened reputational risks.	• We have developed a Climate Strategy centred upon supporting the orderly transition to a greener, net zero economy by 2050 or sooner. • As part of this strategy, near-term science-based emission reduction targets have been set for our full value chain. • A Climate Risk Management Framework (CRMF) has been implemented across the organisation, including use of climate risk factors and data in our mortgage lending policy and credit decisioning processes. • Refer to pages 49 to 54 for further information on how the Society manages the risks from climate change.

Viability Statement

Year ended 31 December 2024

In accordance with provision 31 of the UK Corporate Governance Code (the Code), the board is required to explain how it has assessed the longer term prospects and viability of the Society. This assessment considers our ability to continue in operation and meet our liabilities as they fall due, taking into account our current financial position and the principal and emerging risks set out on pages 41 to 44.

Assessment of longer term prospects

Our business model, purpose statement and strategic drivers are set out on page 9. The board receives strategic updates throughout the year, which assess the business model across multiple dimensions. These include consideration of threats from principal and emerging risks, additional scenarios that may occur and stress testing. The directors have also reviewed our strategy in respect of the environment, considering the opportunities and risks to the Society's business from climate change. This includes physical risks to the Society's mortgage stock and own properties, and transitional risks as the UK migrates to a net zero economy. Further details are provided on pages 41 to 44 and 47 to 54 of the Strategic Report.

The strengths of our business model and the Society's financial position, capital strength and levels of profitability over the next five years and beyond are included in the board's consideration.

These reviews concluded that the Society remains in a strong and resilient financial position, which will enable us to support members, colleagues and communities through the current period of economic uncertainty. Our purpose statement and strategic drivers reflect the environment in which we now operate and aim to maintain the relevance of our business model, including managing and mitigating potential threats.

Financial and operational stress testing

The Society utilises a stress testing programme which includes regular operational planning exercises and more formal risk assessments. The elements of this programme, ranked in order of increasing severity, are summarised below.

The Society's process for forecasting financial performance takes into account our strategic objectives, the risk involved in meeting those objectives and our strategic risk appetite. The corporate planning and alternative scenario modelling processes assess these forecasts under a range of macroeconomic scenarios which reflect the current uncertainty in the macroeconomic environment and the behaviours and needs of current and potential future members.

The board assesses the Society's capital and liquidity viability through the ICAAP and ILAAP. These consider our ability to withstand severe capital and liquidity stresses set out by regulators. The processes incorporate new and emerging regulation, where sufficient information is available. Mitigating management actions and the ability of those actions to minimise the impacts of the applied stresses are also evaluated.

The ICAAP concluded that the Society has significant headroom over regulatory requirements and would have sufficient capital resources to withstand both the central and stressed scenarios under current and confirmed future requirements.

The ILAAP also concluded that the Society is able to meet both internal and external liquidity risk capacity requirements and regulatory requirements under modelled stress scenarios.

Further stress testing, including Recovery Plan testing, is carried out on each of the principal risks outlined on pages 67 to 89. This is performed to understand our ability to withstand extreme stress scenarios, including adverse economic scenarios that go above and beyond those experienced at any point previously, major volatility in financial markets, significant liquidity outflows and operational risk events. This testing demonstrates that there are appropriate resources, measures and controls in place to withstand these extreme events.

Reverse stress testing considers a range of specific scenarios which would cause the Society to fail and has concluded that, since such scenarios are unlikely to occur, they do not pose a risk to the viability of the business.

Stress testing of operational resilience is undertaken to verify that the Society has appropriate measures in place for the delivery of key customer-facing services during a stress event. This is performed using a number of severe but plausible scenarios, including third-party failure, cyber attack, IT and system failures and loss of key premises. The testing demonstrated that resilience is broadly in line with expectations and supports the ongoing viability of the business.

The Society assesses its resilience to people risks and capabilities by regularly conducting talent and succession planning reviews for key roles, up to and including the board. We also identify and monitor key person risks for roles with strategic importance and mitigate these where appropriate to maintain operational resilience and to safeguard continuity of service.

The risk management process, detailed on pages 62 to 89, includes ongoing monitoring and reporting of new and emerging risks. This allows us to make additional enhancements to the control environment, to adapt to and respond quickly to these risks.

Assessment period used for reviewing viability

The board considers the viability of the Society over a three-year period to 31 December 2027. A three-year period for viability is determined to be appropriate for the following reasons:

- Uncertainty is inherent in the predictions of economic, competitive and regulatory environments, particularly in the current climate. Going beyond the three-year period increases this uncertainty and reduces the reliability of the assessment of viability.
- It is within the period covered by our projections of cash flows, capital and profitability. However, there is nothing in our planning beyond the three years that would cause a change in the board's consideration of viability.

Assessment of viability

The board has assessed the financial impact of the modelled stress scenarios and the outcomes from operational resilience testing described previously. Based on these assessments the board believes that:

- Our business model remains appropriate and will continue to be relevant as the operating environment evolves.
- We have and will continue to maintain an appropriate level of liquidity, which meets the expected demands of the business and the requirements that arise in modelled stressed scenarios.
- We hold sufficient capital resources, including an excess above the regulatory minimum and have plans in place to ensure we meet future known requirements. We have sufficient resources under both central and modelled stressed scenarios.
- There are suitable operational capacities in place to manage the impacts of risk events to a reasonable extent, though it is impossible to eliminate all risk. This has been evidenced as we operated effectively under the economic uncertainty and disruption observed in recent years.

The board has a reasonable expectation that the Society will be able to continue in operation and meet our liabilities as they fall due, over the three-year period to 31 December 2027.

Climate-Related Financial Disclosures

Year ended 31 December 2024

Andrew Greenwood
Deputy Chief Executive Officer

“At Leeds Building Society, supporting the orderly transition to net zero is a core part of our purpose. We are committed to playing our part to turn ambitions into action, so we avoid further profound societal and economic impacts from climate change.”

Section 1- Climate-related financial disclosures overview

We are entering the next crucial phase of the response to the climate crisis. The last two years have been the hottest on record, with average temperatures exceeding the crucial threshold of 1.5°C above pre-industrial times for the first time in 2024, contributing to the many extreme and devastating weather events across the world.

At Leeds Building Society, supporting the orderly transition to net zero is a core part of our purpose. We are committed to playing our part to turn ambitions into action, so we avoid further profound societal and economic impacts from climate change.

Our climate disclosures are based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and requirements of the Companies Act 2006 414CA and 414CB, which are structured around four pillars to provide consistent information on the Society's exposure to, and management of, climate risks.

1. Strategy	2. Governance	3. Risk management	4. Metrics and targets
Actual and potential impacts of climate change on the Society's business, strategy and financial planning.	The Society's governance arrangements around climate-related risks and opportunities.	The processes used by the Society to identify, assess, and manage climate-related risks.	The metrics and targets used by the Society to assess and manage relevant climate-related risks and opportunities.

In line with the UK government's target to reduce greenhouse gas emissions 100% compared to 1990's levels by 2050, we remain committed to supporting the orderly transition to net zero.

During 2024, we have further developed our climate strategy in line with emerging standards and good practice, including publication of our inaugural climate transition plan, setting out in more detail our climate ambitions, actions and accountabilities. Links to our additional climate-related disclosures have been included on the following pages to signpost where further information can be found.

▶ Our full climate-related disclosures and transition plan are available on our website:

leedsbuildingsociety.co.uk/press/financial-results

Summary of our climate ambitions and targets

Overall strategic aim

Support the orderly transition to a greener, net zero economy by 2050 or sooner

↓ 90% Targeted reduction in our absolute Scope 1 and 2 market-based emissions of 90% by 2034, from a 2024 base year.	**↓ 42%** Targeted reduction in our absolute Scope 1 and 2 location-based emissions of 42% by 2034, from a 2024 base year.
↓ 35% Targeted reduction in our absolute indirect operational Scope 3 emissions (categories 1-14) of 35% by 2034, from a 2024 base year.	**↓ 70%** Ambition to reduce the physical intensity of the Scope 3 financed emissions (category 15) from our residential mortgage book 70% by 2034, from a 2024 base year.

Note: During 2024 we rebaselined our targets from 2021 to 2024 and revised them in line with the new requirements of the SBTi. Refer to section 3 for details.

Section 2- Summary of TCFD and Companies Act requirements

The table below summarises our response to the 11 TCFD recommendations as well as areas of planned future development to further enhance our approach. Page references indicate where further detail can be found in our full climate-related disclosures and transition plan, available on our website:

Climate Strategy	
1. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	
Approach and assessment	• We assess climate change impacts (physical and transition risk factors) across each of our eight principal risk categories over the short-term (0-3 years), medium-term (3-5 years) and long-term (5 years +) using a range of different future scenarios based on different climate pathways. • Key risks that we have identified include: – **Strategic (physical and transition risk – short/medium-term):** impacts to the delivery of our strategic priorities, corporate plan and purpose (reputational damage from inappropriate targets, disclosures and progress against our ambitions, and economic shocks from climate change and the transition to net zero). – **Credit and capital (physical and transition risk – medium/long-term):** losses from our mortgage or treasury assets due to increases in PD and loss given default from the impacts of climate on property valuations and obligor creditworthiness. – **Operational (physical risk – long-term):** resilience impacts from climate factors which inhibit delivery of important business services (Society and third-party services). – **Conduct (transition risk – short/medium-term):** potential customer detriment due to the design and sale of green finance products and services. – **Model (physical risk – short-term):** incorrect decision-making due to gaps in climate data or errors in climate models used to assess and manage the risks. – **Market and funding (transition risk – medium/long-term):** impacts to profitability due to increases in the price of carbon offset credits or funding costs (retail and wholesale). • Key opportunities that we have identified include: – **Green finance:** development of innovative new financial products to help members reduce their carbon footprint. – **Communication:** engagement with colleagues, members, suppliers and government to increase understanding of climate change and lead the way towards an orderly and fair transition to net zero. – **Partnerships:** collaboration with key organisations to share knowledge, good practice and collectively solve climate challenges. – **Resilience:** increased operational and financial resilience through insulation from physical and transitional risks and reduced cost of energy use. – **Strategy:** supporting delivery of our purpose to help more people own their own home – generation after generation.
Key mitigants	• Regular identification, monitoring and management of climate risks and opportunities in accordance with our CRMF. • Automated flood and ground risk, and energy efficiency assessments as part of credit decisioning processes. • Credit policy controls and concentration limits. • Regular stress testing of our strategy and balance sheet using multiple climate pathways. • Alignment of our climate disclosures with good practice and regulatory requirements. • Product Governance Framework and colleague training. • Model Risk Management Framework and monitoring.

Climate Strategy	
Future priorities and dependencies	• Refinement and delivery of our climate transition plan. • Stakeholder engagement across our value chain (members, government and suppliers) to influence actions in support of our ambitions. • Development and roll-out of our green finance proposition. • Assessment of the impacts of nature and biodiversity risk in conjunction with climate change.
Further details	Climate-related Disclosures and Transition Plan - Sections 1.2 and 3.2
2.Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	
Approach and assessment	• Impacts are regularly reviewed through risk assessments and scenario analysis as part of our ICAAP. • Based on our current business model and climate exposures, the overall immediate impact is not considered material, but we will continue to monitor this as the risks evolve. • The Society continues to have limited exposure to physical risk (flooding and ground risks), both currently and under a range of future climate pathways modelled over the next 30 years, due to the geographically diversified profile of our UK-focused mortgage portfolio and operational resilience arrangements. • While more material potential impacts are posed by transition risks under a late transition scenario, where actions to achieve net zero are disorderly and concentrated in a short period during the 2030s, transition pathways remain highly uncertain. Our strong capital position means our business model remains resilient to the most extreme transitional stress scenarios modelled.
Key mitigants	• Regular stress testing of the mortgage portfolio is performed using multiple physical and transition risk pathways. • Climate risks are reflected in our approach for ECL modelling under IFRS 9 *Financial Instruments* (refer to Notes to the Accounts, Note 2 page 177 for further details). • Our climate transition plan ensures we have clear actions to minimise the future impacts of climate risks and adapt our business model for any opportunities.
Future priorities and dependencies	• Development of our climate scenario testing and IFRS 9 modelling capabilities, including short-term and nature and biodiversity related scenarios. • Further integration of climate risks and opportunities into our financial and strategic planning.
Further details	Climate-related Disclosures and Transition Plan - Sections 3.2 and 3.3

Climate Strategy	
3. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
Approach and assessment	• Aligned with the BoE's 2021 Climate Biennial Exploratory Scenario (CBES), our ICAAP considers the impacts of three different scenarios and pathways with different degrees of physical, transitional and economic risk linked to climate change: – **Early policy action scenario (EPA):** assumes there is an orderly transition to net zero by 2050, keeping future temperature increases to 1.8°C above pre-industrial times (medium transition risk and limited physical and economic risk). – **Late policy action scenario (LPA):** assumes a disorderly transition to net zero by 2050, resulting in high transition risk and limited physical risk, keeping temperature increases to 1.8°C (high transition risk, medium economic risk and limited physical risk). – **No policy action scenario (NPA):** assumes there are no further policies to achieve net zero resulting in high physical and economic risks and limited transition risks, leading to temperatures rising 3.3°C. • Results of our scenario testing indicate that ECL would increase versus the counterfactual under all three of the scenarios. The biggest impact was observed under the NPA scenario (ECLs increased by a factor of 10 versus the EPA scenario by 2050). This was largely due to the economic impacts of the scenario and amplified physical risk losses. Despite this, the Society's capital position and strategy continued to be resilient to the risks modelled. • Our climate emissions targets and ambitions are also aligned with minimum science-based absolute and sectoral requirements for financial institutions, to ensure our strategy aligns with the goal of limiting future temperature increases to well below 2°C.
Key mitigants	• Regular stress testing of the mortgage portfolio is performed using multiple physical and transition risk pathways. • Our CRMF and transition plan ensure we are appropriately assessing and responding to the risks.
Future priorities and dependencies	• Refinement and delivery of our climate transition plan. • Achieving our climate ambitions (in particular Scope 3 emissions) will only be possible with further government, societal and corporate action to implement the necessary actions required to collectively deliver net zero.
Further details	Climate-related Disclosures and Transition Plan – Sections 1.2 and 3.2

Climate Governance	
4. Describe the board's oversight of climate-related risks and opportunities.	
Approach and assessment	• The board has ultimate accountability for the management of climate risk, including approval of our climate strategy, risk appetite and ambitions, and overseeing delivery. • The BRC oversees the identification and management of climate risks across all of our principal risks, in line with the board's stated appetite. • The Audit Committee oversees internal systems of control and external disclosures for climate risk, including approval of our transition plan on an annual basis on behalf of the board. • The Remuneration Committee oversees the design and implementation of reward structures to ensure they appropriately motivate colleagues to achieve our climate ambitions. Climate actions are reflected in the Society's remuneration scheme with relevant members of the SLT required to have a personal objective linked to climate priorities. • These committees receive periodic Management Information (MI) to track performance against targets and key risk indicators (KRIs) and are provided with training on key strategic climate related topics, including target setting.
Future priorities and dependencies	• Track progress against our transition plan and the management of climate risks. • Increase understanding of nature and biodiversity risks.
Further details	Climate-related Disclosures and Transition Plan – Sections 1.2 and 3.2

Climate Governance	
5. Describe management's role in assessing and managing climate-related risks and opportunities.	
Approach and assessment	• The BRC is supported by five Executive Risk Committees, each of which focus on discipline(s) of the risk universe influenced by climate change factors. • The ESG and Climate forums support development of the Society's climate strategy and targets and monitor progress under the oversight of the ExCo. • Responsibility for managing climate-related risk has been assigned to the deputy CEO, as the appropriate Senior Management Function under the PRA's Senior Managers Regime. • Mandatory climate risk training has also been introduced for all colleagues, and colleague engagement has been facilitated through a dedicated Green Champions network of colleagues.
Future priorities and dependencies	• Further embed climate risk into Executive Risk Committee oversight. • Implement required actions under our transition plan. • Refine our climate strategy in response to changes in the external environment.
Further details	Climate-related Disclosures and Transition Plan – Section 3.1

Climate Risk Management	
6. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
Approach and assessment	• Our CRMF is integrated into our ERMF to ensure that climate risks and opportunities are appropriately identified, measured, managed, monitored, and reported. Refer to page 63 of the Risk Management report for further details about our ERMF. • We do not view climate risk as a separate principal risk category, but as a factor that has a bearing on existing risks across our principal risk universe. • Under our CRMF and ESG policy, our climate risk appetite has been defined in line with current good practice guidance, combining a qualitative statement with measures the Society uses to assess adherence to appetite over a time period reflective of the risks from climate change. • Control of climate-related risks is codified through our ESG policy, which is approved by BRC.
Future priorities and dependencies	• Incorporate nature and biodiversity risk into the CRMF and complete an initial assessment of the associated impacts and risks. • Develop our climate related disclosures in line with emerging regulations.
Further details	Climate-related Disclosures and Transition Plan – Section 3.1
7. Describe the organisation's processes for identifying and assessing climate related risks.	
Approach and assessment	• We use our CRMF and ERMF to assess how climate change risks could impact each of our eight principal risks over the short, medium and long-term. • Risks and mitigating controls are recorded in business unit risk registers to enable effective monitoring and reporting on an enterprise-wide basis and are reassessed at least twice yearly as part of our established Risk and Control Self-Assessment (RCSA) process. • Risk assessments are based on several factors such as external horizon scanning (including the impacts of changing regulation and government policy), scenario testing, insights from property-level climate data, external benchmarking and supplier due diligence. • The outputs from risk assessments are reported through our established governance arrangements, including BRC and the Climate Forum.
Future priorities and dependencies	• Further analysis of climate transition risks following changes in government net zero policies. • Additional colleague training on emerging topics such as climate risk modelling, anti-greenwashing and nature risk.
Further details	Climate-related Disclosures and Transition Plan – Sections 3.1 and 3.2

Climate Risk Management	
8. Describe the organisation's processes for managing climate-related risks.	
Approach and assessment	• The management of climate-related risks and opportunities has been incorporated into existing governance and risk management processes, where appropriate, to ensure that they are being monitored and managed in line with board approved appetite. • We define roles and responsibilities in relation to climate risk under a three lines of defence approach, reflective of our size and complexity. Business units (first line of defence) are responsible for the identification, assessment, and management of climate change risks across the Society. The risk function (second line of defence) maintains the CRMF, monitors and reports on the management of climate risks and develops our climate scenario analysis, stress testing and disclosures. Internal Audit (third line of defence) provides independent assurance to the board on the adequacy and effectiveness of first and second line climate risk management. • A climate change operating model has been established to assist the board and deputy CEO in the effective identification and management of climate risks. A central strategy and risk management hub ensures there is close alignment between our purpose and climate risk appetite, and ESG policy and provides direction to relevant functional areas that have responsibility for the management of each aspect of climate risk. • Updates on the management of climate-related risks are regularly reported through our established governance arrangements, including the current position against KRIs and other MI e.g. results of scenario analysis and risk assessments.
Future priorities and dependencies	• Review and refinement of our climate risk appetite in line with agreed targets and ambitions.
Further details	Climate-related Disclosures and Transition Plan – Section 3.2

Climate metrics and targets	
9. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	
Approach and assessment	• We have set near-term science-based emissions targets and ambitions covering our full value chain to support our transition to net zero: – Reduce absolute Scope 1 and 2 market-based emissions 90% by 2034. – Reduce absolute Scope 1 and 2 location-based emissions 42% by 2034. – Reduce absolute Scope 3 (categories 1-14) emissions 35% by 2034. – Reduce the physical intensity of Scope 3 (category 15) emissions from our residential mortgage portfolio 70% by 2034. • Our targets are set in line with the requirements of the SBTi. • During 2024 we rebaselined and revised our targets following changes to the SBTi's target setting criteria and changes to our emissions calculation methodologies. Refer to section 3 for further details.
Future priorities and dependencies	• Development of our climate data architecture and reporting capabilities.
Further details	Climate-related Disclosures and Transition Plan – Section 3.4

Climate metrics and targets	
10. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	
Approach and assessment	• We also monitor several internal climate KRIs for climate-related risks. • Physical risk KRIs: – % of mortgage balances with high or very high physical risk (flooding and ground risk) under a range of future climate scenarios. – Stressed credit losses modelled under our ICAAP. – Number of Society properties with high or very high physical risk. – % of colleagues located in high physical risk areas. • Transition risk KRIs: – % of mortgage balances with current and potential EPC ratings of C or below. – Stressed transitional credit losses under our ICAAP. – External ESG ratings. – Carbon prices. – Supplier due diligence risk scores. – Government policy implementation and progress towards UK targets. – Liquidity investments with high climate risk. – Complaints and adverse publicity related to climate change.
Future priorities and dependencies	• Continue to refine our KRIs in line with emerging climate risks and regulations and embed them into governance reporting.
Further details	Climate-related Disclosures and Transition Plan - Section 3.4
11. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	
Approach and assessment	• We measure our Scope 1, 2 and 3 emissions using the World Resources Institute and the World Business Council for Sustainable Development GHG Protocol, which is the internationally recognised standard for the measurement, management, and reporting of GHG emissions. • We measure and disclose CO_2 equivalent emissions annually across our full value chain, including all relevant Scope 3 categories. • Data quality and availability are the key risks to the accuracy of our emissions reporting. We use actual consumption data and emission factors where available. Where data is not available, we use a range of proxies to estimate emissions. We report data quality scores for each of our emissions categories to enhance the transparency of our disclosures and track progress. See section 3 for further details. • Where there are changes in our emissions calculation methodologies or data that result in a material difference in emissions, we disclose the change and rebaseline our associated targets. • Our disclosures are subject to internal and external verification prior to publication.
Future priorities and dependencies	• Implement actions under our transition plan to influence reductions in our emissions.
Further details	Section 3 of this report

Section 3 – Our greenhouse gas (GHG) emissions

Our GHG Reporting has been completed in accordance with requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the UK's Streamlined Energy and Carbon Reporting (SECR) regulations.

We have set our organisational GHG emissions boundary using the operational control approach, which captures GHG emissions linked to entities under our control. Reported emissions encompass the seven GHGs defined under the Kyoto Protocol and are broken down into three main categories:

Category	Control	Source	Disclosure	Description
Operational emissions				
Scope 1	Direct	Our buildings	Mandatory	Direct GHG emissions that originate from assets that we own or control e.g. emissions from the combustion of gas to heat our buildings or fugitive emissions from ventilation systems.
Scope 2	Indirect	Purchased electricity	Mandatory	Emissions from the generation of purchased electricity. Under the GHG Protocol, we are required to report Scope 2 emissions under both market and location-based approaches.
				The market-based approach reflects emissions from energy that we have purposefully chosen e.g. renewable electricity.
				The location-based approach reflects emissions from purchased energy based on the average emissions intensity on the grids upon which consumption occurs.
Value chain emissions				
Scope 3 (Category 1 – 14)	Indirect	Upstream and downstream activities	Voluntary	Indirect emissions that occur in our upstream and downstream operational activities i.e. emissions from activities linked to the provision of our products and services (predominantly from the third-party goods and services that we purchase).
Scope 3 (Category 15)	Indirect	Downstream activities	Voluntary	Indirect emissions that occur downstream in our value chain i.e. emissions from our investments (predominantly from use of the mortgaged properties that we finance).

2024 GHG emissions reporting[1]

Our GHG emissions for 2024 (our revised baseline year) are summarised below, with comparison to the prior year.

Emissions Category		2024 (tCO_2e)	2023 (tCO_2e)	Change
Scope 1	Diesel	2	1	63%
	Gas	29	33	-13%
	Fugitive	235	59	300%
Scope 2	Electricity – Market based	9	4	124%
	Electricity - Location based	471	490	-4%
Total Scope 1 and 2 – Market Based		**275**	**97**	**183%**
Total Scope 1 and 2 – Location Based		**737**	**583**	**26%**
Scope 3	Purchased goods and services[2]	22,802	21,083	8%
	Capital goods[2]	863	1,907	-55%
	Fuel and Energy Related Activities (FERA)	160	166	-4%
	Upstream transportation[2]	470	662	-29%
	Waste from operations[2]	9	2	314%
	Business travel	165	177	-7%
	Employee commuting and homeworking	1,526	1,477	3%
	Downstream leased assets[2]	25	42	-40%
Total Scope 3 emissions (categories 1-14)		**26,020**	**25,516**	**2%**
Scope 3	Residential mortgages[2]	212,835	312,569	-32%
Total Scope 3 emissions (categories 1-15)		**238,855**	**338,085**	**-29%**
Total emissions – Market based		**239,130**	**338,182**	**-29%**
Total emissions – Location based		**239,592**	**338,668**	**-29%**
Energy consumption (Mwh)		**2,431**	**2,552**	**-5%**
Scope 1 and 2 emissions intensity (per FTE)		**0.2**	**0.1**	**175%**
Scope 1 and 2 emissions intensity (per £ revenue)		**12.4**	**19.4**	**-36%**

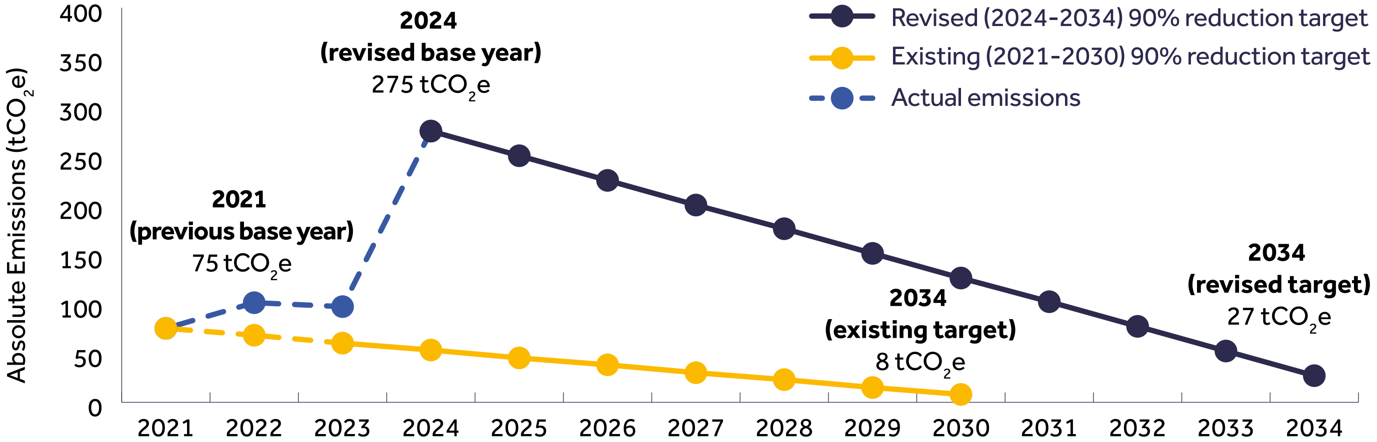
Scope 1 and 2 emission targets and performance

We have rebaselined and revised our existing Scope 1 and 2 targets from 2021 to 2024 in line with SBTi requirements to rebaseline at least every 5 years.

Our targets continue to be guided by the principles of an absolute contraction science-based net zero pathway and will align our Scope 1 and 2 emissions with the Paris Agreement goal to limit future temperature increases to 1.5°C. That means we plan to reach net zero for our Scope 1 and 2 emissions by 2034 on a market-based approach (a reduction of 90% from our 2024 base year) and reduce our Scope 1 and 2 emissions by 42% over the same period on a location-based approach.

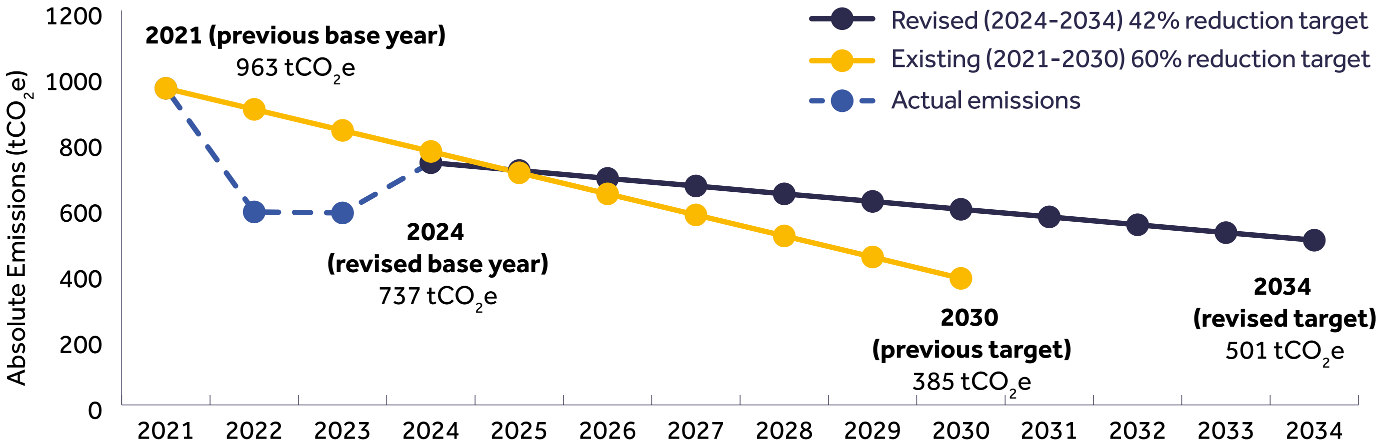
1 t/CO_2e stands for tonnes of carbon dioxide equivalent (the recognised measure for GHG emissions).
2 Categories which had a material change to their calculation methodology during 2024 and positions are therefore not directly comparable to the prior year.

Scope 1 and 2 market-based 90% reduction target



The chart above shows our Scope 1 and 2 market-based emissions between 2021 and 2024 together with our existing (2021-2030) and revised (2024-2034) targets. Key actions to reduce these emissions will include removal of gas from our remaining buildings and maintaining our use of renewable electricity.

Scope 1 and 2 location-based 42% reduction target



The chart above shows our Scope 1 and 2 location-based emissions between 2021 and 2024, together with our existing (2021-2030) and revised (2024-2034) targets. Key actions to reduce these emissions will include retrofitting our branch estate to improve energy efficiency and the government's decarbonisation of the UK electricity grid.

Our Scope 1 and 2 location-based emissions increased 26% in 2024 versus 2023 due to several unexpected leakages of fugitive gas emissions from the air conditioning system at one of our offices. Despite the increase, we remained below our existing (2021-2030) target trajectory (an overall reduction of 24% since 2021 versus a targeted reduction of 20% by 2024). Reductions between 2021-2022 were driven by the move to our new A rated Head Office in Leeds and the divestment of another legacy contingency site during 2022.

As a result of the fugitive gas leaks and the relocation of three of our branches during 2024, our market-based emissions also increased by 183% in 2024 versus 2023 meaning we exceeded our existing (2021 to 2030) target trajectory (an overall increase of 265% since 2021 vs a targeted reduction of 30% by 2024).

In line with actions defined under our transition plan, we expect our future Scope 1 and 2 emissions to trend down in line with our revised (2024-2034) targets.

We have calculated a data score of 2.06 for our Scope 1 and 2 market-based emissions and 2.02 for our Scope 1 and 2 location-based emissions using the Partnership for Carbon Accounting Financials (PCAF) methodology (with 1 being the highest data quality and 5 the lowest quality).

The data scores reflect the high proportion of actual vs estimated consumption data and use of average emissions factors provided by the Department for Energy Security and Net Zero (DESNEZ) in line with requirements of the UK's SECR regulations.

Scope 3 operational emissions (categories 1-14)

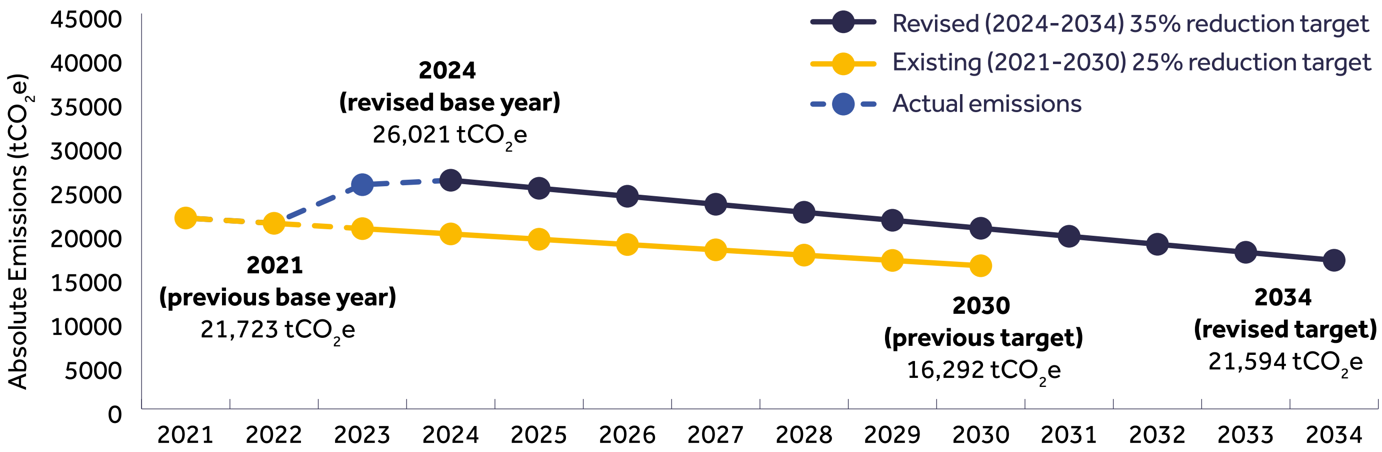
Our Scope 3 operational targets are currently aligned with a well below 2°C future temperature pathway, in accordance with the principles of the SBTi. During 2024, we updated our methodology for calculating supplier emissions (Scope 3 categories 1, 2 and 4) to improve data quality. We now utilise a combination of Eora multi-region input-output data and actual supplier data (where available) to calculate the emission factors for our supplier emissions calculations. We have also updated our methodology for calculating waste from operations to include water and waste from the refurbishment/conversion of several of our branches.

As a result of the methodology changes, the PCAF data score for these emissions improved from 4.89 to 4.00. We expect the score to improve further over time as the proportion of actual supplier data in our calculations increases. In accordance with requirements of the SBTi, we have re-baselined our existing target from 2021 to 2024 to reflect the methodology changes, and increased our targeted reduction from 25% to 35% by 2034.

Our 2024 emissions increased 20% from 21,723 t/CO_2e in 2021 (based on our existing methodologies) to 26,021 t/CO_2e in 2024. The main driver of this increase has been a significant increase in supplier spend as part of ongoing investment in our IT infrastructure, people and processes.

We expect our expenditure (and emissions) to continue to increase in the near-term in line with future investment plans, before reducing in line with our revised (2024-2034) target trajectory towards the end of the decade, subject to the actions and dependencies set out in our transition plan.

Scope 3 categories 1-14 35% reduction target



The chart above shows our Scope 3 operational emissions between 2021 and 2024, together with our existing (2021 - 2030) and revised (2024-2034) targets. Key actions to reduce these emissions will include engagement with our supply chain to reduce emissions from our purchased goods and services and encouraging our colleagues to make greener choices for business travel and commuting.

Scope 3 residential mortgage emissions (category 15)

Our revised near-term Scope 3 category 15 ambition for UK residential mortgages is aligned with a 1.5°C Sectoral Decarbonisation (SDA) pathway, as defined under the SBTi's new buildings sector target setting guidance for in-use emissions. That means we will aim to reduce the physical emissions intensity of the mortgage properties that we finance by 70% by 2034, from a 2024 base year, using a location-based approach.

Our emissions have been calculated using the PCAF methodology for mortgages, which is based on an attribution factor (loan balance divided by indexed property value) which is multiplied by building emissions (energy consumption multiplied by an emissions factor).

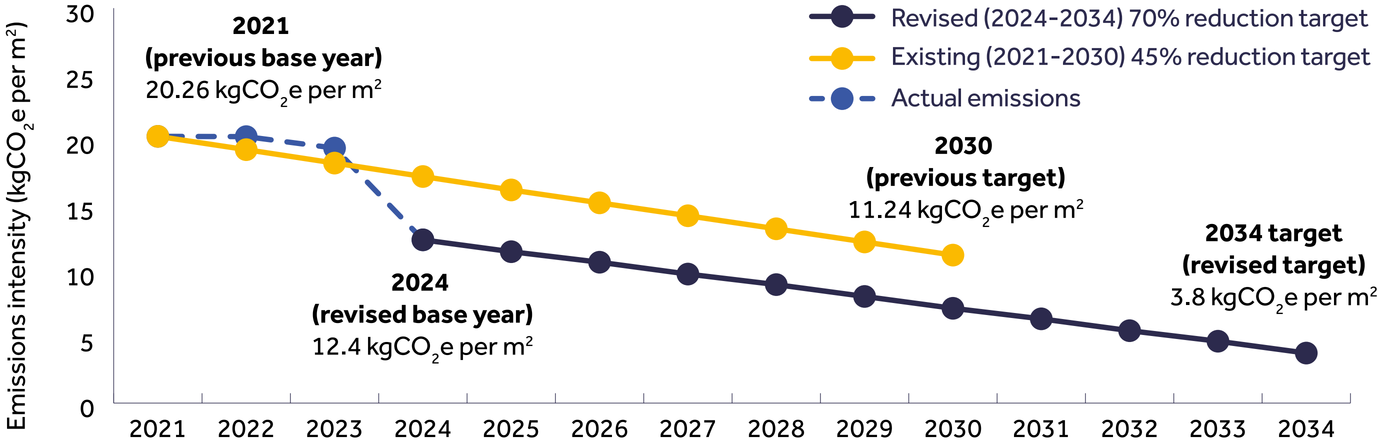
We include 100% of our UK mortgage balances but loans located in Gibraltar and Spain are excluded (£4.6 million and £34.4 million at 31 December 2024) as these are closed books in run-off and are considered immaterial from an emissions perspective.

During 2024, we updated our methodology to improve data quality and accuracy. We now utilise property-level metered data to provide a view of actual energy consumption for our portfolio, rather than estimates under our existing EPC-based methodology. Where we have been unable to match a property to an energy meter (3% of our portfolio), we have derived consumption from the government's National Energy Efficiency Data (NEED) Framework.

As a result of this methodology change, the PCAF data score for our mortgage emissions has improved from 3.40 to 2.13 based on the location based approach.

Given the materiality of the change, we have also re-baselined our target from 2021 to 2024 in line with SBTi requirements.

Scope 3 category 15 70% reduction target



The chart above shows our Scope 3 financed emissions for residential mortgages between 2021 and 2024, together with our existing (2021-2030) and revised (2024-2034) targets. Key actions to reduce these emissions will include decarbonisation of the UK housing stock and electricity grid, development of our green finance proposition and engagement with our members, government and industry.

Scope 3 Category 15 Emissions	31-Dec-24		31-Dec-23
	New methodology		Existing Methodology[1]
	Location Based	Market Based	
Total mortgaged properties	201,368	201,368	189,794
Total mortgage lending	£24.43 bn	£24.43 bn	£21.92 bn
PCAF data score	2.13	1.17	3.40
LTV attributed absolute financed emissions (tCO_2e)	**212,835**	**210,366**	**312,569**
LTV attributed physical emissions intensity ($kgCO_2e/m^2$)	**12.40**	**12.25**	**19.37**
LTV attributed economic emissions intensity (tCO_2e/£m lent)	**8.71**	**8.61**	**14.26**

Using our new methodology, our location-based absolute LTV attributed mortgage emissions were 212,835 tCO_2e as at 31 December 2024 versus 312,569 tCO_2e at the end of 2023 under our existing methodology. On a physical intensity basis (emissions per square meter), our LTV attributed emissions were 12.4 $kgCO_2e/m^2$ for 2024 versus 19.4 $kgCO_2 e/m^2$ in 2023. In addition, we are also now reporting our financed emissions based on both the location-based approach (reflecting the grid average emission factors for the UK provided by the government) and the market-based approach (reflecting energy supplier specific emission factors reported to Ofgem). Using supplier specific emission factors reduces our absolute and physical intensity emissions to 210,366 tCO_2e and 12.3 $kgCO_2e/m^2$ respectively and improves the data score to 1.2.

We expect our attributed mortgage emissions will trend above our required reduction pathway over the near-term due to the dependencies and challenges set out in our transition plan and the lack of progress in decarbonising UK homes.

1 Using EPCs and the market-based approach

Non-Financial and Sustainability Information Statement

Year ended 31 December 2024

We have complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the Strategic Report. The required information can be found as follows:

- Our business model is described on page 9 and KPIs are on pages 19 to 21.
- Our approach to managing our impact on the environment and to managing the risks arising from climate change is explained on pages 47 to 60. Further details of some of the actions already undertaken as part of our responsible business strategy are set out in our Impact Report.
- Our Colleague Policy is designed to ensure the fair, transparent and consistent treatment of colleagues in accordance with legislative and regulatory requirements. Further information on our strategy in relation to colleagues is detailed on pages 16 to 18.
- We have a zero tolerance approach to bribery and corruption, upholding ethical behaviours in our business activities at all times. The Prevention of Financial Crime Policy sets out the requirements of colleagues in this respect and all colleagues undertake regular mandatory training.
- Additionally, our Third-Party Management Policy ensures that we only enter into third-party arrangements with suppliers that have the policies and procedures in place to comply with all applicable anti-bribery and corruption laws, including the Bribery Act 2010 and the Modern Slavery Act.

Line managers throughout the business are responsible for ensuring colleagues in their teams comply with these policies. Attestation of compliance is provided by first line management annually. Periodic independent reviews of compliance are undertaken by the Risk function (second line) and Internal Audit (third line), using a risk-based approach.

Approval of the Strategic Report

This Strategic Report (on pages 3 to 61) has been approved by the board of directors and is signed on behalf of the board.

Andrew Conroy
Chief Financial Officer

27 February 2025

Risk Management Report

Approach to Risk Management

Year ended 31 December 2024

Approach to risk management

The ERMF integrates various risk management processes to consistently support the development and implementation of our Strategy. The framework sets out a structured approach to identify, assess, control and monitor risks. The ERMF is periodically reviewed by the BRC on behalf of the board. The CRO has responsibility for its implementation.

The main components of the ERMF are outlined below:

Risk governance and culture

Risk governance encompasses the processes followed to support risk-based decision-making and oversight of risk across all our operations, whereas risk culture relates to the behaviours and attitudes of colleagues in making these decisions. Appropriate committee structures and our risk culture support the board in discharging its accountability for risk oversight, with management responsible for day-to-day decision-making and management of risk.

Committee structure

The board is our governing body, responsible for overseeing the implementation of our strategy and holding management to account. To support the board in the delivery of its responsibilities, we operate four board sub-committees, each with distinct mandates in their Terms of Reference (ToR).

The BRC provides independent oversight of the effective management of risks, on behalf of the board, which is supported by five Executive Risk Committees, each focusing on a particular risk discipline. These committees are decision-making in nature and operate within delegated mandates and limits provided by the board/BRC. Our committee structure as at the year end is set out overleaf:

Approach To Risk Management continued

Board

Safeguards member interests. Ensures robust risk management systems and internal controls are in place. Sets risk appetite and culture.

Remuneration Committee

Ensures remuneration policies and practices support the long-term interests of the Society.

Board Risk Committee

Reviews the Society's risk exposures and oversees the ERMF.

Develops the strategic risk appetite for board approval.

Audit Committee

Reviews effectiveness of internal controls, integrity of financial reporting, and performance of the Internal Audit function.

Nominations Committee

Reviews the structure and composition of the board and oversees succession planing for the board and wider SLT.

Models and Rating System Committee

Oversees management of model risk and IRB Rating System

Assets and Liabilities Committee

Oversees management of balance sheet and financial risks

Credit Committee

Oversees management of credit risks from our lending portfolio

Conduct and Operational Risk Committee

Oversees delivery of good customer outcomes and management of operation risks.

Operational Resilience Committee

Oversees management of operational resilience matters.

Policies and delegated authorities

Mandates are provided by the board to management via the following routes to manage our day-to-day activities:

Delegation route	Summary
1. Corporate plan	The board approves a corporate plan annually, subsequent to the setting of risk appetite, which provides the parameters within which management should operate.
2. Policy Framework	We operate a tiered policy framework, through which mandates and limits are delegated to management. Our policies are reviewed on an annual basis (or as appropriate), by relevant committees.
3. Delegated Authorities Manual	The Delegated Authorities Manual is designed to facilitate the effective discharge of responsibilities and continuity of operations within a sound system of financial, operational and budgetary control. It is reviewed by the board annually.

Three lines of defence model and the Risk Division

Our approach to risk management aligns to a three lines of defence model, which is standard practice within the financial services sector. This ensures a clear delineation of responsibilities between control over day-to-day operations, risk oversight and independent assurance activities. The key accountabilities under the three lines of defence model are detailed below:

First line (business lines)	Second line (Risk Division)	Third line (Internal Audit)
• Executing strategy. • Identifying and managing risks, including operating critical controls. • Defining appetite. • Adhering to appetite, policies and standards. • Implementing and maintaining regulatory compliance.	• Oversight of day-to-day activities of the first line. • Maintenance of the ERMF. • Coordination and oversight of the setting of risk appetite and policy. • Identifying emerging risks. • Enterprise risk reporting. • Independent risk-based assurance plans.	• Independent risk-based assurance of the adequacy and effectiveness of first and second line risk management.

The Risk Division is independent from the operational business divisions and ensures we follow a consistent approach to risk management. It is led by the CRO, who reports directly to the deputy CEO, with separate independent engagement with the Chair of the BRC. The Risk Division comprises specialist teams, aligned to key risk disciplines, which provide oversight and independent challenge of first line activities.

Risk culture

Risk culture is an essential element of effective risk management, underpinning how our ERMF is embedded across the business and into decision-making. To maintain an appropriate risk culture, the ERMF includes a Risk Culture Framework, designed around four components:

- **Tone from the top and desired behaviours –** the board and SLT are expected to demonstrate our behaviours to set the tone for all colleagues.
- **Accountability –** to support the delivery of our strategy and business objectives, individuals at all levels are held accountable for risk management.
- **Effective communication –** an environment of open and transparent communication is encouraged around all business processes and decision-making. The Society's open culture also allows both management and colleagues to report concerns about potential inappropriate risk-taking or business conduct, which is facilitated through a 'Speak Up' policy.
- **Incentives and performance management –** an appropriate incentive scheme and other HR frameworks are operated to promote and align with the desired risk culture.

Risk appetite and stress testing

Risk Appetite Framework

A key element of the ERMF is the Strategic Risk Appetite (SRA) Framework. This comprises qualitative statements and quantitative metrics to set the parameters within which we should operate to deliver our strategy. Our SRA Framework is reinforced through policies and standards, to ensure consistency and alignment to the board defined parameters.

The board defines SRA across our eight principal risks and it is reviewed on an annual basis. Performance against appetite is monitored continually and we have developed appropriate early warning indicators and escalation procedures to anticipate and respond to risk profile changes. SRA metrics are used in corporate planning and stress testing to measure and validate our long-term viability, under both plausible and severe scenarios.

Stress testing

Stress testing is a risk management tool that we use to support an understanding of the vulnerabilities within our business model. Our approach to stress testing is defined within a stress testing framework and supports:

- a sound understanding of internal and external influences on our principal risks.
- the board in strategic business planning and the setting of SRA.
- management of capital and liquidity resources against SRA and regulatory expectations.

We have developed an annual programme of stress testing activity, which informs the planning process and the calibration of SRA. The key components of the programme are as follows:

Increasing severity	Activity	Description
	Corporate and operational resilience planning	Sensitivity analysis and a suite of alternative scenarios are used to assess the corporate plan under a range of plausible stresses. Operational resilience stressing is an embedded part of corporate planning.
	Prudential risk assessments	ICAAP – an internal assessment of whether we have sufficient capital, given current risks, as well as future risks from our strategy, under conditions as set out by the board/PRA. ILAAP – an internal assessment of whether we have sufficient liquidity and stable funding to withstand a range of severe liquidity stresses.
	Climate change	Scenario analysis is used to assess the potential financial and non financial impacts of climate-related risks. Refer to pages 47 to 60 for further details.
	Recovery plan	Scenario analysis is used to inform the development of a suite of recovery actions (primarily capital and liquidity) to be used under extreme stress and to set and validate operational protocols.
	Reverse stress testing	An assessment of the stress scenarios under which we would potentially become unviable. This examines potential weaknesses in our business model under extreme events so that mitigating actions can be identified (where possible).

Risk assessment and management

We operate defined risk assessment and management processes to facilitate the consistent identification, evaluation, treatment and monitoring of risks across the organisation. The framework can be applied to both strategic and operational risk assessments and is set within the context of our business environment, strategy and objectives. A summary of the four stages of this process is set out below:

- **Risk identification** – we operate board level and operational level risk identification processes to capture new or emerging risks, which could impact corporate objectives and the delivery of our strategy.
- **Risk analysis and evaluation** – a range of methodologies are used to identify risks, to understand their severity and likelihood to impact on the delivery of our strategy and to inform risk evaluation and treatment. Management then evaluates and prioritises risks to inform decision-making and to optimise the allocation of resources.
- **Risk treatment** – management selects and deploys appropriate risk responses, balancing the potential benefit derived versus cost, effort and implications for key stakeholders. The principal mechanisms for risk treatment are the deployment of suitable control actions, governance or assurance oversight, along with management information monitoring to reduce the Society's residual risk profile to acceptable levels.
- **Risk monitoring** – risk assessment and management processes are monitored to proactively identify and adjust to changes in risk profile and to understand the effectiveness of implementing risk treatment strategies.

Risk reporting

We operate an appropriate risk reporting hierarchy to provide the right information, to the right people, at the right time, to inform and support timely decision-making. We use a combination of strategic and business process reporting to understand the current or potential risk profile of the business, which may impact the delivery of our strategy and corporate objectives. These reporting processes are conducted at an appropriate frequency and are coordinated by the Risk Division.

Principal Risks

Year ended 31 December 2024

1. Credit risk

Definition

The risk that residential borrowers or wholesale counterparties fail to meet their financial obligations.

Sources of credit risk

Our sources of credit risk arise from loans and advances to customers (retail credit risk) and through treasury activities from the investment of liquidity and use of derivatives to manage market risks (wholesale credit risk). The table below presents an overview of our credit risk profile as at 31 December 2024:

	Group 2024 £M	Group 2024 %	Group 2023 £M	Group 2023 %
Cash in hand and balances with the Bank of England	**2,443.2**	**7.8**	2,830.0	10.1
Loans and advances to credit institutions	**152.3**	**0.5**	213.7	0.8
Investment securities	**3,950.0**	**12.6**	2,515.6	9.0
Derivative financial instruments	**371.1**	**1.2**	443.6	1.6
Loans and advances to customers	**24,550.5**	**77.9**	21,941.2	78.5
Total	**31,467.1**	**100.0**	27,944.1	100.0

We retain non-material legacy commercial (2024: £3.3 million; 2023: £6.1 million) and Spanish residential mortgage (2024: £34.4 million; 2023: £45.3 million) portfolios, which are closed portfolios in active run-off. On this basis, the following sections focus primarily upon UK residential and wholesale credit exposures and risk management practices.

1.1 Retail credit risk

Managing retail credit risk

The key mitigants in relation to retail credit risk are as follows:

- A board defined appetite is approved at least annually, supported by the lending policy, limit frameworks and management reporting.
- Performance is continually reviewed against appetite and adherence with policy limits.
- Our underwriting processes use a range of tools including credit scoring models, affordability stress testing, automated decision-making and suitably qualified underwriters in assessing mortgage applications. Underwriting processes are kept under close review to ensure they reflect risks in the prevailing environment.
- Independent appraisal of collateral is completed, such as property valuations.
- A dedicated Mortgage Support function engages with members at an early stage to discuss financial difficulties, with oversight from the Risk Division.
- Stress testing is completed to assess vulnerabilities within credit portfolios and informs pre-emptive actions.

Monitoring retail credit risk

We operate various first line functions to monitor the retail credit profile on a continuous basis. This is overseen by both the second and third lines of defence, through their monitoring and assurance activities. Our monitoring processes, including the use of benchmarking, early warning indicators and governance protocols, ensure timely escalation to senior management if there is a deterioration in credit quality.

The appropriateness of our lending policy and appetite are monitored on a frequent basis, with a formal review of the policy by the board at least annually. The performance of our retail exposures versus appetite and policy is reviewed by the Credit Committee at each meeting and is reported through to BRC.

2024 Retail credit risk developments

Retail credit risk focus during the year remained balanced across various dimensions including: suitability of lending policies/criteria, deployment of risk appetite, arrears performance versus forecast and ECL provisions and modelling risk, given the uncertain economic backdrop.

Retail credit risk profile

The table below is a breakdown of our retail credit portfolio as at 31 December 2024. The retail credit risk portfolio remains diversified across several mortgage lending segments with no significant change in the mix compared to the prior year.

	Group and Society 2024 £M	Group and Society 2023 £M
Residential mortgages		
Mainstream owner-occupied	**13,586.5**	10,960.7
Buy to let	**5,176.2**	5,454.6
Shared ownership	**3,368.1**	2,964.0
Other	**2,317.3**	2,457.1
Total gross exposure (contractual amounts)	**24,448.1**	21,836.4
Impairment loss provisions	**(45.4)**	(53.5)
Total net exposure	**24,402.7**	21,782.9

Geographic concentration

The table below provides a breakdown of the geographic concentration of our retail credit portfolio as at 31 December 2024. The mortgage portfolio remains well diversified, reflecting the national coverage of our distribution channels.

	Group and Society 2024 %	Group and Society 2023 %
South East	**15.5**	15.7
Midlands	**15.7**	15.0
Greater London	**12.1**	12.7
East of England	**10.3**	10.0
South West	**9.9**	9.9
North West	**9.9**	9.7
Yorkshire and Humberside	**8.8**	8.8
Scotland	**7.5**	7.8
North East	**3.9**	3.9
Wales	**3.6**	3.5
Northern Ireland	**2.7**	2.8
Spain	**0.1**	0.2
Total net exposure	**100.0**	100.0

Collateral

Retail mortgages are all fully secured on residential property. Collateral values are assessed at the point of origination and in line with our lending policy. We require collateral to be valued by an appropriately qualified method, independent of both the credit decisioning team and the customer, at the time of borrowing. This includes the selected use of automated valuation models. These models are developed on market data and usage is subject to accuracy and criteria thresholds.

One of the key indicators of the credit risk associated with a mortgage book is the relationship between the amount of the loan and the value of the underlying security, which is known as the LTV percentage. In general, the lower the LTV the greater the equity within the property and the lower the losses expected to be realised in the event of default and subsequent repossession.

Our lending policy permits owner occupier applications with a maximum LTV of 95%[1] and buy to let mortgages with a maximum LTV of 80%. Higher LTV lending is subject to enhanced underwriting criteria.

The indexed LTV analysis of our retail mortgage portfolio as at 31st December 2024 is as follows:

	Group and Society 2024 £M	**Group and Society 2024 %**	Group and Society 2023 £M	Group and Society 2023 %
Less than 10%	**213.7**	**0.9**	218.4	1.0
10% to 20%	**996.6**	**4.1**	1,016.6	4.7
20% to 30%	**2,322.4**	**9.5**	2,264.2	10.4
30% to 40%	**3,327.6**	**13.6**	3,379.9	15.5
40% to 50%	**3,968.8**	**16.2**	4,104.2	18.8
50% to 60%	**3,683.2**	**15.1**	3,460.4	15.8
60% to 70%	**3,424.3**	**14.0**	2,993.1	13.7
70% to 80%	**3,174.2**	**13.0**	2,138.8	9.8
80% to 90%	**2,424.2**	**9.9**	1,820.2	8.3
90% to 100%	**907.7**	**3.7**	437.7	2.0
More than 100%	**5.4**	**–**	2.9	–
Total	**24,448.1**	**100.0**	21,836.4	100.0

As at 31 December 2024, the overall weighted average LTV of the retail mortgage portfolio was 54.2% (2023: 51.2%). The weighted average LTV of new lending in 2024 was 66.8% (2023: 62.3%).

Retail credit performance

Overview

As a responsible lender, the Society has continued to invest in its mortgage services capabilities to support members and closely monitor affordability pressures from cost of living challenges and a higher interest rate environment.

As part of this investment, the Society has further developed its arrears management strategies to minimise credit risk losses, whilst ensuring that customers are treated fairly. The Society proactively contacts mortgage customers who have or will be coming to the end of their initial fixed rate mortgage product period, and who may experience increases in their mortgage rates. If customers do experience financial difficulties, contact is made on a missed direct debit (pre-arrears) as well as following missed payments (arrears). Where appropriate, customers are offered forbearance options, tailored to their circumstances. Forbearance typically consists of modifications to previous conditions of a contract or a total or partial refinancing of debt, either of which would not have been required had the customer not been experiencing financial difficulties.

Arrears Performance

The following table sets out information about the credit quality of our retail mortgages as at 31 December 2024[2]. Classification into low, medium or high-risk bandings is based on internal rating grades, which approximately translate into the regulatory IRB PD shown in the table. An explanation of the classification is detailed below, with further information provided in note 1(e) of the accounts.

- Stage 1 – assets are allocated to this stage on initial recognition and remain in this stage if there has not been a significant increase in credit risk since initial recognition.
- Stage 2 – assets where it is determined that there has been a significant increase in credit risk since initial recognition, but where there is no objective evidence of impairment.
- Stage 3 – assets where there is objective evidence of impairment, i.e. they are considered to be in default or in the cure period following default.

Underlying retail credit performance has seen some deterioration with a small increase in Stage 2 balances reflecting IFRS 9 model enhancements, which also now include a provision for physical climate risks. The increase in Stage 3 balances was a result of an increase in the balances for customers in arrears. A PMA has been applied to increase the level of provisions held to reflect the increased risks associated with cost of living pressures and rate shocks, as well as addressing several model limitations regarding new types of lending.

1 Excluding the Colleague Mortgage Scheme.
2 Loans measured at amortised cost and loan commitments represent amounts committed.

Retail mortgages Group and Society 2024		**Stage 1 £M**	**Stage 2 £M**	**Stage 3 £M**	**Total £M**
Low	IRB PD <2.02%	**19,080.2**	**3,323.7**	**26.7**	**22,430.6**
Medium	IRB PD ≥2.02% and <25.97%	**578.3**	**999.6**	**36.3**	**1,614.2**
High	IRB PD ≥25.97%	**15.5**	**158.0**	**229.8**	**403.3**
Total gross exposure		**19,674.0**	**4,481.3**	**292.8**	**24,448.1**
Impairment loss provision		**(7.9)**	**(23.3)**	**(13.9)**	**(45.1)**
Net exposure		**19,666.1**	**4,458.0**	**278.9**	**24,403.0**

Loan commitments Group and Society 2024		**Stage 1 £M**	**Stage 2 £M**	**Stage 3 £M**	**Total £M**
Low	IRB PD <2.02%	**1,610.5**	**–**	**–**	**1,610.5**
Medium	IRB PD ≥2.02% and <25.97%	**29.4**	**–**	**–**	**29.4**
High	IRB PD ≥25.97%	**0.7**	**–**	**–**	**0.7**
Total gross exposure		**1,640.6**	**–**	**–**	**1,640.6**
Impairment loss provision		**(0.3)**	**–**	**–**	**(0.3)**
Net exposure		**1,640.3**	**–**	**–**	**1,640.3**

Retail mortgages Group and Society 2023		Stage 1 £M	Stage 2 £M	Stage 3 £M	Total £M
Low	IRB PD <2.02%	16,911.4	2,843.4	26.9	19,781.7
Medium	IRB PD ≥2.02% and <25.97%	735.7	870.1	28.0	1,633.8
High	IRB PD ≥25.97%	23.0	188.9	209.0	420.9
Total gross exposure		17,670.1	3,902.4	263.9	21,836.4
Impairment loss provision		(4.8)	(31.9)	(16.5)	(53.2)
Net exposure		17,665.3	3,870.5	247.4	21,783.2

Loan commitments Group and Society 2023		Stage 1 £M	Stage 2 £M	Stage 3 £M	Total £M
Low	IRB PD <2.02%	1,244.1	–	–	1,244.1
Medium	IRB PD ≥2.02% and <25.97%	20.4	–	–	20.4
High	IRB PD ≥25.97%	4.4	–	–	4.4
Total gross exposure		1,268.9	–	–	1,268.9
Impairment loss provision		(0.3)	–	–	(0.3)
Net exposure		1,268.6	–	–	1,268.6

The table below provides further information on our retail mortgages by payment status as at 31 December 2024[3] Overall, past due balances as a percentage of the portfolio have remained broadly stable.

	Group and Society 2024 £M	**Group and Society 2024 %**	Group and Society 2023 £M	Group and Society 2023 %
Not past due	**24,145.3**	**98.7**	21,530.9	98.7
Past due up to 3 months	**160.4**	**0.7**	172.5	0.8
Past due 3 to 6 months	**58.6**	**0.2**	50.4	0.2
Past due 6 to 12 months	**45.9**	**0.2**	47.8	0.2
Past due over 12 months	**24.4**	**0.1**	25.3	0.1
Possessions	**13.5**	**0.1**	9.5	–
Total gross exposure	**24,448.1**	**100.0**	21,836.4	100.0

3 Excludes impairment loss provisions

Forbearance

The table below provides information on loans existing at 31 December 2024, which have had their terms renegotiated in the last 24 months, regardless of whether the renegotiation is still in place or whether the loan has reverted to its original terms.

Group and Society 2024	**Capitalisation £M**	**Transfer to interest only £M**	**Term extension £M**	**Hardship products £M**	**Other payment arrangements £M**	**Total forbearance £M**
Not past due	**6.0**	**7.5**	**34.3**	**9.0**	**13.1**	**69.9**
Past due up to 3 months	**2.4**	**3.7**	**4.6**	**6.8**	**2.5**	**20.0**
Past due over 3 months	**5.3**	**3.1**	**1.9**	**21.8**	**7.7**	**39.8**
Total forbearance	**13.7**	**14.3**	**40.8**	**37.6**	**23.3**	**129.7**

Group and Society 2023	Capitalisation £M	Transfer to interest only £M	Term extension £M	Hardship products £M	Other payment arrangements £M	Total forbearance £M
Not past due	6.3	11.4	26.8	5.2	12.9	62.6
Past due up to 3 months	4.2	4.3	3.5	5.0	1.7	18.7
Past due over 3 months	6.3	3.5	3.6	15.8	6.9	36.1
Total forbearance	16.8	19.2	33.9	26.0	21.5	117.4

The level of loans reported as in forbearance has seen an overall increase reflecting an operational focus on implementing appropriate forbearance measures during 2024. Increases in forbearance balances were largely due to term extensions and the appropriate usage of rate reduction products.

Retail credit risk outlook

Whilst borrowers have so far been largely resilient to recent affordability pressures, several emerging macroeconomic and geopolitical risks may result in increased numbers of members facing financial difficulty.

We will closely monitor external developments in 2025 to ensure our credit appetite and policies remain appropriate versus prevailing conditions.

1.2 Wholesale credit risk

We have low appetite for wholesale credit risk, with exposures restricted to high quality counterparties with a low risk of default.

Managing wholesale credit risk

The key mitigants in relation to wholesale credit risk are as follows:

- A board defined appetite is approved at least annually, supported by the Wholesale Credit Policy, limit frameworks and management reporting.
- Performance versus appetite is reviewed at least monthly and more frequently during times of stress.
- All counterparty credit lines are reviewed at least annually, based on internal analysis, credit default swap spreads, geographic location, ESG posture and other market intelligence.
- Daily exchange of collateral and other netting arrangements is in place for our derivative exposures

Monitoring wholesale credit risk

A dedicated first line function monitors our wholesale credit profile on a daily basis. This is overseen by both the second and third lines of defence through their monitoring and assurance activities. Our monitoring processes and governance protocols ensure timely escalation to senior management if there is a perceived deterioration in credit quality of a counterparty.

Each wholesale credit line is formally reviewed at least annually, with outputs overseen by ALCO. The performance of the wholesale credit portfolio versus appetite and policy is reviewed by ALCO at each meeting and reported through to BRC.

Wholesale credit risk profile

Credit ratings

Our liquidity portfolio is comprised of cash reserves at the Bank of England, loans and advances to credit institutions and debt securities. An assessment of the wholesale credit profile of the liquidity portfolio, based upon external credit ratings[4], is outlined in the table below. As at 31 December 2024, 100% of the portfolio was rated as A- or above (2023: 100%).

Group 2024	Aaa £M	Aa1–Aa3 £M	A1–A3 £M	Unrated £M	Total £M
Cash in hand and balances with the Bank of England	–	2,443.2	–	–	2,443.2
Loans and advances to credit institutions	–	15.1	137.2	–	152.3
Investment securities					
UK Government securities	–	1,935.4	–	–	1,935.4
Government agency debt	217.5	–	–	–	217.5
Supranational bonds	536.2	–	–	–	536.2
Covered bonds	612.9	–	10.5	–	623.4
Residential mortgage backed securities	637.5	–	–	–	637.5
Certificates of deposit	–	–	–	–	–
Total liquid assets	**2,004.1**	**4,393.7**	**147.7**	**–**	**6,545.5**
	30.6%	**67.1%**	**2.3%**	**–**	**100.0%**

Group 2023	Aaa £M	Aa1–Aa3 £M	A1–A3 £M	Unrated £M	Total £M
Cash in hand and balances with the Bank of England	–	2,830.0	–	–	2,830.0
Loans and advances to credit institutions	–	77.8	135.9	–	213.7
Investment securities					
UK Government securities	–	965.3	–	–	965.3
Government agency debt	82.0	–	–	–	82.0
Supranational bonds	180.6	–	–	–	180.6
Covered bonds	749.4	–	–	–	749.4
Residential mortgage backed securities	362.9	–	–	–	362.9
Certificates of deposit	–	24.9	150.5	–	175.4
Total liquid assets	1,374.9	3,898.0	286.4	–	5,559.3
	24.7%	70.1%	5.2%	–	100.0%

Geographic concentration

Our liquidity portfolio continues to be invested predominantly within the UK. The geographical location of the portfolio as at 31 December 2024 is outlined below:

	Group 2024 £M	Group 2024 %	Group 2023 £M	Group 2023 %
United Kingdom	5,514.0	84.2	5,020.9	90.4
Canada	206.6	3.2	161.7	2.9
Australia	94.7	1.4	99.3	1.9
Germany	194.0	3.0	47.1	0.8
Finland	–	–	24.9	0.4
Netherlands	–	–	24.8	0.4
United States	–	–	19.1	0.3
Global Supranational	355.3	5.4	131.8	2.4
European Supranational	116.1	1.8	–	–
Asian Supranational	64.8	1.0	29.7	0.5
Total liquid assets	**6,545.5**	**100.0**	5,559.3	100.0

4 The lower of either Fitch or Moody's.

Wholesale credit impairments

Our accounting policy for the calculation of impairment on wholesale assets is detailed in note 1e. All assets were classified as at Stage 1 throughout the reporting period, and as such, no impairment loss provision is considered necessary for these assets.

Collateral

The nature of a wholesale asset or liability determines the level of collateral required. Loans and debt securities are generally unsecured except for asset backed securities, which are secured by a collection of financial assets.

The Society centrally clears all eligible derivatives classes through indirect membership with a central counterparty clearing house (CCP). Cleared derivative instruments will only be transacted with counterparties with a Cleared Derivative Execution Agreement (CDEA) or Accession Agreement (AA) in place. Derivatives that cannot be cleared via a CCP are managed bilaterally under the terms of industry-standard International Swaps and Derivatives Association (ISDA) Master Agreements and Credit Support Annexes (CSA).

Under these arrangements, collateral is exchanged between the counterparties of the transaction to mitigate some of the counterparty credit risk inherent in outstanding derivative positions.

The table below shows the net exposure after reflecting the impact of netting arrangements and collateral:

Group 2024	Gross amounts* £M	Master netting agreements £M	Cash collateral £M	Net amount £M
Financial assets				
Derivative financial instruments	**371.1**	**(90.8)**	**(310.7)**	**(30.4)**
Financial liabilities				
Derivative financial instruments	**98.0**	**(90.8)**	**(5.7)**	**1.5**

Society 2024	Gross amounts* £M	Master netting agreements £M	Cash collateral £M	Net amount £M
Financial assets				
Derivative financial instruments	**371.1**	**(90.8)**	**(310.7)**	**(30.4)**
Financial liabilities				
Derivative financial instruments	**117.2**	**(90.8)**	**(11.8)**	**14.6**

Group 2023	Gross amounts* £M	Master netting agreements £M	Cash collateral £M	Net amount £M
Financial assets				
Derivative financial instruments	443.6	(200.7)	(267.7)	(24.8)
Financial liabilities				
Derivative financial instruments	233.0	(200.7)	(32.7)	(0.4)

Society 2023	Gross amounts* £M	Master netting agreements £M	Cash collateral £M	Net amount £M
Financial assets				
Derivative financial instruments	443.6	(200.7)	(267.7)	(24.8)
Financial liabilities				
Derivative financial instruments	232.8	(200.7)	(15.9)	16.2

We also enter into repurchase agreements (repos) with counterparties with whom we have both a Global Master Repurchase Agreement (GMRA) and an active credit line in place. The credit risk that arises from such transactions is managed under the terms of the GMRA, through the monitoring and appropriate transfer of collateral.

*As reported in the Statement of Financial Position on page 167.

For derivative financial assets, collateral received is in the form of cash. Where cash is received it is included as a liability within Other Liabilities on the Statement of Financial Position. For derivative financial liabilities, collateral paid is in the form of cash and is included as an asset in Other Assets.

Wholesale credit risk outlook
Given the prevailing macroeconomic uncertainties and potential geopolitical risks outlined on page 43, we will continue to closely monitor the performance of the wholesale portfolio and maintain an appropriate investment strategy and wholesale credit risk profile.

2. Funding and liquidity risk

Definition
The risk of insufficient funds to meet obligations as they fall due or the inability to access funding at a reasonable cost.

Sources of funding and liquidity risk
The Society raises funding through two sources: retail savings deposits from our members and investments from wholesale counterparties. Funding risk primarily arises from a failure to deliver an appropriately diversified funding strategy. This could result in a loss of customer or investor confidence and inhibit our ability to refinance or raise new funding, or only at an excessive cost.

Our main source of liquidity risk relates to the ability of members to withdraw retail deposits at little or no notice. All potential sources of liquidity risk are assessed under severe but plausible stress scenarios as part of our annual ILAAP process, with outputs used to inform our liquidity risk appetite and determine a minimum level of on balance sheet liquidity.

Managing funding and liquidity risk
The key mitigants in relation to funding and liquidity risk are as follows:

- A board defined appetite is approved at least annually, supported by the Funding and Liquidity Policy, limit frameworks and management reporting.
- Our liquidity position is monitored daily by a dedicated first line team, with oversight provided by the Risk Division.
- An ILAAP assessment is conducted at least annually, to determine the level of liquidity resources required under stressed conditions.
- A portfolio of high-quality liquid assets is maintained and regularly tested.
- Access to central bank funding is maintained and regularly tested, through prepositioned collateral.
- Stress testing and sensitivity analysis is conducted frequently to understand the impact of severe, but plausible scenarios and to inform pre-emptive actions.
- A Recovery Plan, including a trigger and alert framework, is maintained to identify the emergence of a stress and actions to respond accordingly.

Monitoring funding and liquidity risk
Our treasury function is responsible for monitoring potential liquidity and funding risks on a daily basis. Oversight and assurance of liquidity and funding risks is achieved through the three lines of defence model.

ALCO is our primary committee for overseeing the management of potential liquidity or funding risks. Performance versus appetite is also reported through to BRC.

2024 liquidity position
We maintained a strong liquidity position throughout 2024. As at 31 December 2024, our Liquidity Coverage Ratio (LCR) was 183% (2023: 227%), which was considerably above minimum regulatory requirements (100%).

Our Liquidity Strategy and limit structure ensures that the liquidity portfolio remains appropriately diversified across various instruments and durations. As at 31st December 2024, our liquidity portfolio mainly consisted of cash held at the Bank of England, UK government securities and other high quality assets. Levels of on balance sheet liquidity increased during the year, providing protection and flexibility in light of the uncertain economic environment. We also continued to retain significant levels of off-balance sheet liquidity capacity.

	Group and Society 2024 £M	Group and Society 2023 £M
Cash in hand and balances with the Bank of England	**2,443.2**	2,830.0
UK Government securities	**1,861.2**	965.3
Other qualifying securities	**2,004.3**	1,157.7
High quality liquid assets	**6,308.7**	4,953.0
Other on balance sheet securities	**236.8**	606.2
Total	**6,545.5**	5,559.2

Note: The Society balance for other on balance sheet securities includes amounts owed by subsidiary undertakings, including collateral in relation to intragroup derivatives.

2024 funding risk position

As a mutual organisation, we are predominately funded through retail funding. As at 31 December 2024 84.4% of our shares, deposits and liabilities (SDLs) were classified as retail funding, consisting of a mix of variable rate products, fixed rate bonds and ISAs.

We also raise funding via capital markets, through a well-established wholesale franchise and through access to central bank funding facilities. Our Funding Plan and limit structure ensures that the wholesale funding portfolio remains appropriately diversified across various instruments, durations and investor types.

As at 31 December 2024, total wholesale funding stood at £4.5 billion (2023: £4.7 billion), representing 15.6% of total funding.

During the year, we raised £850 million of external wholesale funding through a successful Covered Bond issuance (£500 million) and the Albion No.6 residential mortgage-backed securities (RMBS) issuance (£350 million). We also made further planned repayments of drawings from the BoE's TFSME.

	Group 2024 £M	Group 2024 %	Group 2023 £M	Group 2023 %
Deposits from banks	**14.2**	**0.3**	24.3	0.5
Amounts drawn under TFSME	**1,230.0**	**27.1**	1,845.0	38.9
Other deposits and amounts owed to other customers	**159.3**	**3.5**	169.9	3.6
Debt securities in issue:				
Certificates of deposit	**60.3**	**1.3**	–	–
Senior unsecured debts	**319.3**	**7.0**	315.9	6.7
Covered bonds	**2,116.0**	**46.8**	2,037.3	42.9
Residential mortgage backed securities	**636.1**	**14.0**	355.4	7.4
Total	**4,535.2**	**100.0**	4,747.8	100.0

As at 31 December 2024, 100% of our wholesale funding portfolio was denominated in sterling.

	Group Sterling £M	Group Euro £M	Group Total £M
Deposits from banks	**14.2**	**–**	**14.2**
Amounts drawn under TFSME	**1,230.0**	**–**	**1,230.0**
Other deposits and amounts owed to other customers	**159.3**	**–**	**159.3**
Debt securities in issue:			
Certificates of deposit	**60.3**	**–**	**60.3**
Senior unsecured debts	**319.3**	**–**	**319.3**
Covered bonds	**2,116.0**	**–**	**2,116.0**
Residential mortgage backed securities	**636.1**	**–**	**636.1**
Total as at 31 December 2024	**4,535.2**	**–**	**4,535.2**
Total as at 31 December 2023	4,321.1	426.7	4,747.8

The expected maturity profile of our wholesale funding portfolio is outlined below, based on the earlier of the first call date or the contractual maturity date. The concentration of maturities less than one year predominately relates to outstanding TFSME drawings, which will be refinanced during 2025.

	Group 2024 £M	Group 2024 %	Group 2023 £M	Group 2023 %
Less than one year	**2,069.2**	**45.6**	1,009.5	21.3
One to two years	**502.1**	**11.1**	2,062.1	43.4
Two to five years	**1,963.9**	**43.3**	1,676.2	35.3
More than five years	**–**	**–**	–	–
Total	**4,535.2**	**100.0**	4,747.8	100.0

The stability of our overall funding position is assessed through the Net Stable Funding Ratio (NSFR). As at 31 December 2024, our NSFR ratio stood at 147.8% (2023:143.1%), which is significantly above the regulatory minimum of 100%.

Maturity profile of financial assets and liabilities

The table below analyses our financial assets and liabilities based on the remaining period between 31 December 2024 and the contractual maturity date. In practice, the contractual maturity can differ to actual repayments, whereby customer behaviour result in liabilities being held for longer than their contractual maturities and assets repaid earlier or vice versa.

During 2024, contractual liquidity gap mismatches changed in response to balance sheet growth and the structure of the retail savings book.

Group 2024	**Repayable on demand £M**	**Less than 3 months £M**	**3 to 12 months £M**	**1 to 5 years £M**	**More than 5 years £M**	**Total £M**
Financial assets						
Cash in hand and balances with the Bank of England	**2,443.2**	**–**	**–**	**–**	**–**	**2,443.2**
Loans and advances to credit institutions	**152.3**	**–**	**–**	**–**	**–**	**152.3**
Investment securities	**–**	**612.9**	**1,076.1**	**1,363.9**	**897.1**	**3,950.0**
Derivative financial instruments	**–**	**2.5**	**26.5**	**311.9**	**30.2**	**371.1**
Loans and advances to customers						
Loans fully secured on residential property	**8.9**	**17.4**	**37.4**	**703.0**	**23,636.0**	**24,402.7**
Other loans	**–**	**–**	**–**	**–**	**147.8**	**147.8**
Fair value adjustments for hedged risk on loans and advances to customers	**–**	**0.1**	**(4.9)**	**(153.1)**	**(15.2)**	**(173.1)**
Other assets, prepayments and accrued income	**–**	**209.7**	**–**	**6.0**	**5.7**	**221.4**
Total financial assets	**2,604.4**	**842.6**	**1,135.1**	**2,231.7**	**24,701.6**	**31,515.4**
Financial liabilities						
Shares	**9,047.0**	**3,575.1**	**7,166.2**	**4,725.7**	**15.8**	**24,529.8**
Fair value adjustment for hedged risk on shares	**–**	**(1.1)**	**2.2**	**7.7**	**–**	**8.8**
Derivative financial instruments	**–**	**2.4**	**10.9**	**75.0**	**9.7**	**98.0**
Amounts owed to credit institutions	**–**	**14.2**	**1,230.0**	**–**	**–**	**1,244.2**
Amounts owed to other customers	**8.7**	**82.7**	**66.5**	**1.4**	**–**	**159.3**
Debt securities in issue	**–**	**657.0**	**10.1**	**2,464.6**	**–**	**3,131.7**
Other liabilities and accruals	**–**	**1.0**	**23.7**	**268.3**	**23.7**	**316.7**
Subordinated liabilities	**–**	**–**	**–**	**334.2**	**–**	**334.2**
Subscribed capital	**–**	**–**	**–**	**8.0**	**–**	**8.0**
Total financial liabilities	**9,055.7**	**4,331.3**	**8,509.6**	**7,884.9**	**49.2**	**29,830.7**
Net liquidity gap	**(6,451.3)**	**(3,488.7)**	**(7,374.5)**	**(5,653.2)**	**24,652.4**	**1,684.7**

Group 2023	Repayable on demand £M	Less than 3 months £M	3 to 12 months £M	1 to 5 years £M	More than 5 years £M	Total £M
Financial assets						
Cash in hand and balances with the Bank of England	2,830.0	–	–	–	–	2,830.0
Loans and advances to credit institutions	213.7	–	–	–	–	213.7
Investment securities	–	403.8	709.5	947.1	455.2	2,515.6
Derivative financial instruments	–	5.7	38.2	381.5	18.2	443.6
Loans and advances to customers						
Loans fully secured on residential property	6.9	23.1	43.1	684.8	21,025.0	21,782.9
Other loans	–	0.5	–	–	157.8	158.3
Fair value adjustments for hedged risk on loans and advances to customers	–	(0.1)	(0.3)	(4.2)	(127.7)	(132.3)
Other assets, prepayments and accrued income	–	192.3	–	–	15.9	208.2
Total financial assets	3,050.6	625.3	790.5	2,009.2	21,544.4	28,020.0
Financial liabilities						
Shares	5,390.8	1,785.2	6,694.2	6,913.9	8.9	20,793.0
Fair value adjustment for hedged risk on shares	8.3	2.7	10.3	10.6	–	31.9
Derivative financial instruments	–	4.0	27.5	158.9	42.6	233.0
Amounts owed to credit institutions	–	2.0	418.5	1,448.8	–	1,869.3
Amounts owed to other customers	–	119.7	42.6	7.6	–	169.9
Debt securities in issue	–	–	426.7	2,281.9	–	2,708.6
Other liabilities and accruals	–	9.5	18.6	194.6	45.0	267.7
Subordinated liabilities	–	–	–	323.9	–	323.9
Subscribed capital	–	–	–	–	33.0	33.0
Total financial liabilities	5,399.1	1,923.1	7,638.4	11,340.2	129.5	26,430.3
Net liquidity gap	(2,348.5)	(1,297.8)	(6,847.9)	(9,331.0)	21,414.9	1,589.7

The following tables detail the remaining undiscounted contractual cash flows for our non-derivative financial liabilities including interest, which will be accrued to those instruments, except where we are entitled and intend to repay the liabilities before their maturity.

Group 2024	**Repayable on demand £M**	**Less than 3 months £M**	**3 to 12 months £M**	**1 to 5 years £M**	**More than 5 years £M**	**Total £M**
Shares	**9,047.0**	**3,592.5**	**7,367.0**	**5,034.1**	**18.8**	**25,059.4**
Amounts owed to credit institutions	**–**	**–**	**1,279.4**	**–**	**–**	**1,279.4**
Amounts owed to other customers	**8.7**	**83.1**	**67.8**	**1.4**	**–**	**161.0**
Debt securities in issue	**–**	**657.5**	**10.2**	**2,799.6**	**–**	**3,467.3**
Subordinated liabilities	**–**	**2.6**	**2.6**	**342.2**		**347.4**
Subscribed capital	**–**	**–**	**0.3**	**9.1**	**–**	**9.4**
Total financial liabilities	**9,055.7**	**4,335.7**	**8,727.3**	**8,186.4**	**18.8**	**30,323.9**

Group 2023	Repayable on demand £M	Less than 3 months £M	3 to 12 months £M	1 to 5 years £M	More than 5 years £M	Total £M
Shares	5,390.8	1,788.1	6,779.0	7,300.5	9.0	21,267.4
Amounts owed to credit institutions	–	2.1	436.9	1,562.0	–	2,001.0
Amounts owed to other customers	–	120.5	43.9	7.9	–	172.3
Debt securities in issue	–	-	428.2	2,476.4	–	2,904.6
Subordinated liabilities	–	2.6	2.6	337.1		342.3
Subscribed capital	–	1.7	2.0	14.6	102.5	120.8
Total financial liabilities	5,390.8	1,915.0	7,692.6	11,698.5	111.5	26,808.4

The following table details the contractual maturity for our derivative financial instruments. The table is based on the undiscounted net cash inflows/(outflows) on the derivative instruments, which settle on a net basis, and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the conditions existing at the reporting date.

Group 2024	**Less than 3 months £M**	**3 to 12 months £M**	**1 to 5 years £M**	**More than 5 years £M**	**Total £M**
Swap contracts	**47.8**	**151.0**	**213.4**	**4.7**	**416.9**

Group 2023	Less than 3 months £M	3 to 12 months £M	1 to five years £M	More than 5 years £M	Total £M
Swap contracts	58.2	174.3	275.5	2.4	510.4

Encumbrance

Asset encumbrance occurs where some of our assets are used as collateral to support secured funding or central bank operations. The main sources of our encumbered assets relate to mortgages used to collateralise our covered bond and securitisation programmes and participation in the BoE's central funding schemes. We have established an appropriate limit to ensure that collateral is available to support current and future funding requirements under normal and stressed conditions.

Asset encumbrance as at 31 December 2024 is set out in the table below:

	Encumbered £M	**Unencumbered £M**	**Total £M**
Cash and balances with the Bank of England	**–**	**2,443.2**	**2,443.2**
Loans and advances to credit institutions	**–**	**152.3**	**152.3**
Debt securities	**72.6**	**3,877.4**	**3,950.0**
Loans and advances to customers	**6,776.9**	**17,773.6**	**24,550.5**
Derivative financial instruments	**–**	**371.1**	**371.1**
Other assets	**404.2**	**(258.7)**	**145.5**
Total as at 31 December 2024	**7,253.7**	**24,358.9**	**31,612.6**
Total as at 31 December 2023	7,342.0	20,803.9	28,145.9

External credit ratings

During 2024, both Fitch and Moody's affirmed our long- and short-term credit ratings, as well as the outlook, as follows:

	Long-term	**Short-term**	**Outlook**	**Date of last credit opinion**
Moody's	A3	P-2	Stable	July 2024
Fitch	A-	F1	Stable	October 2024

Outlook

- Funding markets are likely to be impacted by heightened levels of uncertainty in 2025 due to potential geopolitical risks, macroeconomic uncertainty and increased competition for retail savings as firms refinance TFSME drawings.
- Taking this into consideration, the Society carries strong levels of on balance sheet liquidity into 2025 and remains well positioned to address any funding and liquidity uncertainty that may arise through a combination of its retail and wholesale franchises.

3. Market risk

Definition

The risk that movements in interest rates or foreign currency adversely impact our capital and earnings.

Sources of market risk

The primary form of market risk that we face is interest rate risk, whereby our net interest income and value of assets and liabilities are exposed to movements in interest rates. The main sources of our interest rate exposures relate to the duration repricing mismatch between assets and liabilities, basis risk from linkage of assets and liabilities to different reference rates and product optionality. Our interest rate exposures all arise from the banking book as we do not operate a trading book.

We also have foreign currency risk exposures from a legacy residential mortgage portfolio in Spain. Our market risk policy does not permit any speculative foreign exchange positions.

Managing market risk

The key mitigants in relation to market risk are as follows:

- A board defined appetite is approved at least annually, supported by the Market Risk Policy, limit frameworks and management reporting.
- Our market risk exposures are monitored frequently by a dedicated first line team, with oversight provided by the Risk Division.
- Market risk positions are managed by the offsetting of assets and liabilities and use of derivatives. Derivatives are used to hedge market risk exposures, where a natural hedge is not feasible.
- Stress testing and sensitivity analysis is conducted frequently to understand the impacts of movements in interest and foreign exchange rates on value and income.

Monitoring market risk

Our treasury function is responsible for monitoring market risk and performance against appetite and limits on a frequent basis. Oversight and assurance of market risk is achieved through the three lines of defence model.

ALCO is the Society's primary committee for overseeing the management of market risks. Performance against risk appetite is also reported through to BRC.

2024 market risk position

Key developments in relation to market risk during 2024 were as follows:

- Throughout the year, we continued to manage market risk in a structured and disciplined manner, to ensure exposures were identified, measured and managed within the boundaries of risk appetite set by the board.
- The Monetary Policy Committee started to gradually reduce interest rates during 2024, from 5.25% to 4.75% by November 2024. Whilst markets expect further rate reductions in 2025, the depth and speed of rate cuts remains highly uncertain.
- In light of market conditions during 2024, we retained close oversight of our market risk exposures and product offerings, making adjustments to our balance sheet structure in response to the evolving external environment. This was also complemented by stress testing and sensitivity analysis to understand the impacts under various interest rate paths.

Interest rate exposures

We assess potential interest rate impacts on our earnings and the value of our assets and liabilities through stress testing and sensitivity analysis.

From an earnings perspective, we measure the potential impact on our net interest income under various interest rate paths. The key assumptions used in this modelling are as follows:

- A constant balance sheet is assumed with all assets and liabilities maturing during the year being reinvested in like for like products and a constant average spread.
- Managed rate products receive full pass through of changes in market interest rates.
- Scenarios are applied to the prevailing interest rates at the reporting date.
- The sensitivities do not take account of any management actions.

In addition, we monitor the impact of various parallel and non-parallel rate shocks to the value of our assets and liabilities. The key assumptions used in this modelling are as follows:

- The balance sheet at the report date is run off over its remaining expected duration.
- Downward shocks allow the yield curve to go negative subject to a floor.
- The effect of external hedging is included.
- Our reserves and core stable savings balances are allocated in line with board approved limits.

The following table outlines the impacts against a range of value and earnings-based assessments. At 31 December 2024, our balance sheet remained positioned so that net interest income would benefit from rising interest rates.

Group	**+200bps 2024 £M**	+200bps 2023 £M	**-200bps 2024 £M**	-200bps 2023 £M
Annual earnings impact	**11.7**	**7.5**	**(8.3)**	**(5.0)**
Market value economic value (including capital)	**(50.1)**	**30.1**	**53.0**	**(33.3)**

Foreign exchange exposures

The carrying amount of our foreign currency denominated monetary assets and monetary liabilities at the reporting date is outlined in the table below:

Group	**Assets 2024 £M**	Assets 2023 £M	**Liabilities 2024 £M**	Liabilities 2023 £M
Euro	**39.6**	**420.2**	**43.9**	**422.6**

At 31 December 2024, we had hedges in place to match 100% of our foreign currency exposures, via the use of cross currency swaps, which offset the impact of foreign exchange fluctuations. Therefore, any movement in foreign currency through profit or loss and other equity are minimised. As at 31 December 2024, a 10% movement in the sterling/euro exchange rate would result in a movement of £0.4 million (2023: £0.2 million) in profit or loss or other equity.

Outlook

- Financial markets remain susceptible to volatility during 2025 reflective of the Society's emerging profile outlined on pages 41 to 44.
- We will continue to monitor financial markets and changes in customer behaviour under the prevailing environment and proactively manage our balance sheet to ensure that future earnings and value are protected.

4. Capital risk

Definition
The risk that the Society has insufficient quality or quantity of capital resources to meet current or future regulatory and business requirements.

Sources of capital risk
Capital risk arises where we have insufficient capital resources to support strategic objectives and plans or regulatory requirements. This could arise due to a depletion of our capital resources as a result of risk crystallisation, through a significant increase in risk-weighted assets as a result of regulatory changes or economic deterioration, or increases in minimum capital requirements, such as the countercyclical capital buffer.

Managing capital risk
The key mitigants in relation to capital risk are as follows:

- A board defined appetite is approved at least annually, supported by the Capital Policy and Capital Plan, limit frameworks and management reporting.
- Discipline over lending volumes and returns to ensure adequate capital generation to support a sustainable capital position.
- An ICAAP is conducted at least annually, to assess the level of capital required to support current and future business activities.
- Stress testing and sensitivity analysis is conducted to understand the impact on the Society's capital position, under a range of severe scenarios.
- A Recovery Plan is maintained, including actions to generate/preserve capital in response to a severe stress.

Monitoring capital risk
We have a dedicated first line team responsible for managing and monitoring our capital position. Oversight and assurance of capital risk is achieved through the three lines of defence model.

Capital planning is integrated into our wider strategic and financial planning processes to assess our capital position on a forward-looking basis. Capital performance versus appetite is reviewed by ALCO at each meeting and is also reported through to BRC.

2024 performance
Key developments in relation to capital risk during 2023 were as follows:

- We have continued to redevelop our mortgage IRB model suite to meet new requirements, which has been submitted for regulatory approval. To account for the potential increase in RWAs from transitioning to a new model suite, we have applied a PMA to our current IRB rating system. For further details, refer to our 2024 Pillar 3 disclosure, located on our website. Notwithstanding this change, we maintained significant headroom above minimum regulatory requirements throughout 2024.
- During 2024, we performed a liability management exercise to buy back our legacy Tier 2 eligible PIBS, which reduced capital by £47.5 million but will deliver interest savings going forward as part of a more efficient capital model.
- The PRA published PS9/24 – Implementation of the Basel 3.1 standards near-final part 2 in September 2024, setting out its near-final rules to implement Basel 3.1 in the UK. Based upon an initial assessment of the near-finalised rules, we expect to retain significant headroom over minimum capital requirements. Following the year end date, the PRA has announced an extension of the initial implementation date to 1 January 2027 to provide greater clarity as to how the regulation is being implemented in other jurisdictions.

Capital position

The following table provides a summary of our capital position as at 31 December 2024. More detailed disclosures can be found in the Pillar 3 disclosures available on our website.

Unaudited	2024 £M	2023 £M
Capital resources		
Common Equity Tier 1 (CET1) capital	**1,584.9**	1,508.9
Additional Tier 1 capital	**–**	–
Total Tier 1 capital	**1,584.9**	1,508.9
Tier 2 capital	**10.1**	42.9
Total regulatory capital resources	**1,595.0**	1,551.8
Senior non preferred notes	**351.1**	350.0
Total MREL eligible resources	**1,946.1**	1,901.8
Risk–weighted assets (RWAs)	**6,171.0**	5,355.1
CRD V capital ratios	**%**	%
CET1 ratio	**25.7**	28.2
Total capital ratio	**25.9**	29.0
Total MREL ratio	**31.5**	35.5
UK leverage ratio	**5.5**	6.0

Reductions in the Society's key capital ratios are mainly reflective of the liability management exercise, one-off items and balance sheet growth during the year. Notwithstanding these reductions the Society retained significant headroom above minimum regulatory requirements under the various requirements of the UK's capital regime.

Outlook

- We are awaiting final feedback from the PRA regarding our IRB model submission. Overall, we expect the capital impact of the revised IRB model suite to be broadly in line with the temporary PMA applied to the current IRB Rating System.
- During 2025, we will closely monitor the finalisation and implementation of the Basel 3.1 standards, following the PRA's decision to delay implementation in the UK until January 2027.
- A deterioration in UK macroeconomic conditions and house prices could increase our capital requirements during 2025. A sustained period of heightened competition within our key markets may also result in reduced levels of net interest margin and capital generation. We will continue to monitor developments closely and adapt our plans, as appropriate.

5. Model risk

Definition

The risk of adverse consequences from model errors or the inappropriate use of modelled outputs.

Sources of model risk

Models are inherently uncertain as they are imperfect representations of the real world, based upon a set of assumptions and theoretical methodologies, which may not translate into an accurate future outcome.

We use models across a broad range of business activities, including informing business decisions and strategies, determining capital adequacy, provisioning, retail and wholesale credit decisioning, risk measurement and stress testing.

The level of risk relating to an individual model is assessed through a materiality rating. We have developed a quantitative approach to determine the materiality rating of each model, reflective of the model's complexity, use and potential impact assessment. The outputs of the materiality assessment determine the approval path through governance and the degree, frequency and depth of review and validation requirements. The materiality ratings for each model are reviewed on a regular basis to ensure they remain representative of the risks associated with each model.

Managing model risk

The key mitigants in relation to model risk are as follows:

- A board defined appetite is approved at least annually, supported by a Model Risk Policy and Standards, which set our minimum requirements in relation to model documentation, development, implementation, validation and change.
- A model inventory is maintained, acting as an enterprise-wide repository of key model artefacts.
- A materiality assessment is conducted on all models within the inventory.
- Model owner reviews are submitted through governance on a cyclical basis, in line with model materiality ratings.
- Models are validated independently prior to implementation and on a cyclical basis, in line with model validation standards and materiality ratings.
- Controls around PMAs are in place to ensure they are appropriately governed and accurately applied.
- Annual attestations are completed by model owners to confirm that they have complied with the requirements of the Model Risk Policy.

Monitoring model risk

Model owners represent the first line of defence for monitoring and managing model risk, with oversight provided through independent model validation and second and third-line assurance activity.

The Models and Rating System Committee (MRSC) is our primary body for overseeing model risk. This forum assesses whether models are fit for purpose through periodic model reviews and monitors model risk exposure on an enterprise-wide basis. Material model issues are reported to through to BRC.

2024 performance

Key developments in relation to model risk during 2024 were as follows:

- During 2024, we enhanced our model risk management capabilities, as part of implementing PRA SS1/23 – Model risk management principles for banks, which came into effect in May 2024. As part of this initiative, we have updated and implemented new model risk policies and practices to align with the new requirements.
- We continued with the development and validation of our IRB rating systems during the year. As part of this process, we had regular engagement with the PRA to ensure the revised model suite is aligned with evolving expectations.
- We closely monitored the performance of our models to ensure they remained appropriate for use under conditions experienced during 2024. Where necessary, PMAs have been applied to capture the risks and uncertainties arising from the current external environment.

Outlook

- We will continue to embed and refine our revised model risk practices during 2025, including consideration of emerging modelling techniques and technologies such as generative AI and machine learning.
- We will continue to maintain close oversight of model inputs and outputs under the prevailing external environment to ensure they remain appropriate or are adjusted based on quantitative and qualitative considerations.

6. Operational risk

Definition
The risk of financial or reputational loss from inadequate or failed internal processes, people and systems or from external events. This incorporates resilience risk which is the inability to maintain important business services in response to unexpected or adverse events.

Sources of operational risk
The main drivers of operational risk are classified as follows:

- People risk
- Information security (including cyber) risk
- IT risk
- Operational resilience risk
- Financial crime risk
- Data risk
- Change risk
- Third-party risk
- Legal and regulatory risk
- Financial reporting risk

Managing operational risk
A summary of the key mitigants for operational risk are as follows:

- A board defined appetite is approved at least annually, supported by an appropriate suite of operational risk related policies.
- An Operational Risk Management Framework is maintained, outlining the process for identification, assessment, mitigation and monitoring of operational risks, incident management protocols and reporting operational losses.
- The control environment is validated by the first line through Risk and Control Self Assessments (RCSA), control testing and oversight procedures, with oversight from second and third lines of defence.
- An Operational Resilience Framework and testing programme is maintained, incorporating Business Continuity, Information Technology Risk, Information Security and Third-Party Management, to ensure the provision of resilient services to our members.
- A Payments Control Framework is maintained and supported by specific control assurance testing to ensure the effective operation and resilience of Society payment services.
- A financial crime strategy and policy are maintained which are overseen by a dedicated Financial Crime Prevention Team. The financial crime risk and control environment is formally assessed through the annual MLRO report to BRC.
- Stress testing is used as part of the ICAAP to ensure we retain sufficient capital for extreme, but plausible, operational risk events.

Monitoring operational risk
Day-to-day operational risk is monitored by first line business functions, including regular critical control testing. Oversight of first line activity is provided by both the second and third lines of defence through monitoring and assurance activity.

Conduct and Operational Risk Committee (CORC) and Operational Resilience Committee (ORC) provide oversight as to how operational risks are being managed across the organisation. Performance against appetite is reviewed through these committees and is also reported through to BRC.

2024 performance

Operational resilience risk

Throughout 2024 we continued to evolve the maturity of our controls for ensuring important business services are resilient against disruption, including enhancing scenario testing to incorporate third parties, and completing a full test of the data-centre disaster response controls for key services, proving our ability to maintain important technologies.

IT risk

We continued to invest in our multi-year technology programme to deliver better outcomes at a faster pace while being more responsive to external events and ensuring the efficiency of IT operations. Technology improvements in 2024 have enhanced our capabilities to develop and deliver safely and at scale through the cloud, improved digital experiences for our members, improved efficiency of managing third-party relationships, and introduced new tools to enhance the management of IT systems for the benefit of colleagues and members.

Information security risk

We reviewed the shifting threat landscape to ensure controls were appropriately targeted. Delivery of our multi-year security strategy has continued to advance and strengthen defences around our online and cloud services, complemented by control enhancements in response to the increasing threat from supply-chain attacks. Our security focus remains aligned to protecting our information assets against key threats from data breaches through third parties and Ransomware.

Data risk

Throughout 2024, we continued to invest in capabilities to understand and manage our data. Building on the new infrastructure delivered through 2023, development focused on providing customer teams with greater insight to enhance the way they understand and respond to member needs.

People risk

We continued to focus on attracting and retaining people with the right skills and capabilities to deliver our purpose, whilst continuing to support colleagues to develop and thrive in their careers through the launch of a new colleague learning experience platform. As the cost of living crisis continues, we have remained committed to supporting colleagues through a range of wellbeing resources and targeted benefits, including the launch of a new colleague mortgage scheme.

Change risk

We delivered significant volumes of change against an ambitious agenda to enhance support to members and drive our purpose for the longer term, focused on the replacement of the core banking platform, legal and regulatory compliance, and risk management. Strong portfolio oversight ensured that change capacity and resources were appropriately prioritised and that we were well placed to flex the portfolio in response to external events.

Financial crime

The financial crime landscape remained challenging during 2024. Account takeovers and Authorised Push Payment (APP) fraud remain a key threat to members, with increasingly complex and sophisticated social engineering techniques being employed alongside changing regulations. We continued to evolve our controls in response, including the introduction of Confirmation of Payee checking on outbound payments to help mitigate the risk of loss from fraud, and providing customers and colleagues with training and educational information, helping them to better protect themselves against financial crime.

Third-party risk

We continue to increase the number of key third parties used to deliver elements of services to members, including the use of cloud technologies. During 2024, we enhanced the maturity of controls around material suppliers in response to both evolving risks and regulations. Appropriate due diligence was undertaken to gain assurance that third parties remain capable of maintaining their services even in a stressed environment, that third parties and communications with them were secure, and that we had appropriate strategies in place should unplanned events have occurred.

Legal and regulatory risk

The volume, scale and complexity of regulatory change continued to shape our operating environment in 2024. We maintained robust processes to ensure the changes in laws and regulations are identified and complied with during the year.

Outlook

In 2025, management will focus on maintaining an appropriate balance between progressing the delivery of our multi-year technology programme and furthering our purposeful ambitions, while ensuring that we retain sufficient capacity and flexibility to respond to external uncertainties. This will include ensuring we have the right skills and capabilities to support our change programme.

We will also face into the significant challenges and opportunities from AI enabled technologies to build strong foundations that allow us to benefit from efficiency and effectiveness, but ensure risks are understood and managed.

7. Conduct risk

Definition

The risk that actual or potential customer detriment arises, or may arise, from the way the Society conducts its business.

Sources of conduct risk

Conduct risk can arise from how we behave and how we carry out our business and will ultimately impact the outcomes customers receive. This can manifest from several key areas, including:

- Product and services.
- Price and value.
- Customer communications and understanding.
- Customer support.

Conduct risks can arise at any stage of the customer journey and risk assessments are carried out as part of our normal business processes, so we can understand, mitigate and monitor them. Where we recognise something has gone wrong, we carry out root cause analysis to reduce the chance of it happening again and ensure any customer detriment is appropriately redressed in a fair and transparent way.

Monitoring conduct risk

First line colleagues are responsible for managing potential conduct risks through their day-to-day activities. Oversight of first line activity is provided by all lines of defence through monitoring and assurance activities. CORC and BRC monitor the delivery of good customer outcomes through management information, oversight updates and outputs from the product governance work.

Managing conduct risk

The following controls and procedures help to mitigate conduct risk:

- A board defined appetite is approved on at least an annual basis, supported by the Conduct Risk Policy and Frameworks. This is governed through CORC and BRC, including the monitoring of MI.
- A Product Governance Framework is in place, which outlines requirements for how products are developed to meet customer needs, provide fair value and that their ongoing suitability for the target market is regularly assessed.
- A Customer Understanding Framework is in place to ensure our communications and product literature provide the right information, at the right time and are also clear and transparent.
- A Customer Support Framework ensures support is provided to meet customers' needs at the point of sale and throughout the life of the product, so that customers can use their products as reasonably anticipated and without unreasonable barriers to product changes, switching providers, or making a complaint. This is further supported by Vulnerability Standards, which outline how we support customers with vulnerability characteristics.
- Customer-facing colleagues are suitably trained, with competency regularly assessed. Ongoing coaching and development are in place for all customer-facing colleagues.
- Our Complaints Handling Policy and supporting processes ensure complaints are addressed with empathy and sensitivity through a fair and transparent process.

2024 performance

In 2024, we continued to respond to changing market and customer dynamics, particularly in consideration of a challenging mortgage market.

- We continued to evolve our approach under the Consumer Duty that came into force in July 2023, embedding frameworks and finalising the Fair Value Assessments for all closed products.
- The annual Consumer Duty board report was completed July 2024, concluding that we continue to provide good consumer outcomes that are consistent with regulatory requirements and that all products offer fair value to our customers.
- To support borrowers in financial difficulty we implemented regulatory change in accordance with FCA policy statement PS24/2, demonstrating increased transparency and wider ranging forbearance options, whilst continuing not to charge arrears fees.
- Aligned to our purpose, we launched an Income Plus Product to support first time buyers with home ownership, offering increased affordability, but still remaining in line with our responsible lending criteria.
- We moved some digital saving journeys onto a new platform to improve the overall member experience, including the digital ISA journey.
- Complaints volumes have increased overall, in line with increased business volumes. Various management actions are inflight to support the delivery of good customer outcomes during the complaint handling process. Analysis has been routinely conducted to establish the root cause of complaints, supporting business improvement opportunities and preventing recurrence.
- As volumes of Customers in Vulnerable Circumstances (CiVC) continued to rise, a maturity assessment was completed to assess progress aligned to regulatory expectations. The maturity assessment concluded no material gaps but highlighted further opportunities to evolve our approach to supporting these customers.

Outlook

- The Society will continue to develop and embed our Consumer Outcomes MI reported through governance, to provide greater clarity and transparency of outcome monitoring across the customer base. Analysis of this data will continue to be a focus, including consideration of customer groups (i.e CiVC versus non CiVC), to support decision-making.
- An assessment of conduct risk maturity will take place over the coming year, to determine progress since the launch of Consumer Duty and any areas required for future focus.

8. Strategic/business risk

Definition
The risk that the Society fails to formulate or execute an appropriate strategy and business model in response to the external environment, threatening our longer-term viability.

Sources of strategic/business risk
The main sources of strategic/business risk arise from the following:

- Over or under diversification in our business model (geography, products, funding or exposures) inhibiting delivery of strategic objectives.
- Failure to develop and execute an appropriate strategic plan and objectives.
- Failure to adapt to changes in the external environment e.g. macroeconomic, political, technological advances, competition, and changes in consumer preferences.

Monitoring strategic/business risk
Strategic/business risks are monitored through our horizon scanning processes, with appropriate escalation channels in place. These risks are also considered as part of the Society's annual strategic and financial planning processes.

ExCo and BRC provide oversight of the management of strategic risks. Performance against appetite is reviewed through these committees and at relevant board meetings.

Managing strategic/business risk
The following controls and procedures help to mitigate strategic/business risk:

- A board defined appetite is approved at least annually, supported by a suite of appropriate policies.
- The direction of business and investment activity are set by an annual strategic planning process in the context of the changing regulatory, technological, and competitive landscape.
- Our corporate planning process includes an assessment of the business and macroeconomic environments, which are regularly monitored throughout the year and plans adjusted accordingly.
- Competitor and market performance is assessed by regular thematic reviews.
- An ESG Strategy and targets are maintained, which ensures that our purpose and strategy remain aligned with our stakeholder expectations.
- Stress testing is used to understand performance under a variety of severe, but plausible, scenarios.
- Independent risk reporting, including horizon scanning, assesses our operating environment and performance against strategic plans and objectives.

2024 performance

During 2024, we continued to respond to evolving market conditions and customer dynamics:

- Conditions within our operating environment remained challenging, reflective of macroeconomic risks, a change in UK government and wider geopolitical risks.
- Activity in the UK mortgage market continued to gain momentum during the year due to improved borrower affordability as mortgage rates fell and household income increased. Changes to stamp duty thresholds in early 2025 also created increase demand during the second half of 2024.
- From a savings perspective, price competition has further increased driven by savers looking to take advantage of the higher interest rate environment, a new generation of digital challenger banks and lenders refinancing TFSME drawings.
- In the context of heightened competition within our core markets, we carefully monitored the market positioning of our products and responded accordingly. Furthermore, we launched a range of new initiatives/products to deliver on our purpose and continued to focus on operational and service performance.
- We continued to progress our multi-year IT project to increase functionality and strengthen our operational resilience and make our systems simpler and quicker to use for our members, colleagues and intermediary partners.
- As a result of this investment, the Tier 2 capital liability management exercise and increased levels of competition, the Society's cost income ratio increased from 47.3% in 2023 to 51.7% at 31 December 2024. Notwithstanding this increase, the Society continues to maintain an efficient business model relative to peers.
- We continued to deliver against our ESG strategy, and we were proud to be accredited with the Good Business Charter, which recognises and champions responsible business behaviour.

Outlook

- Our strategic/business risks are closely linked to the emerging risks detailed within the Risk Overview on pages 41 to 44.
- Uncertainties from macroeconomic and geopolitical risks may create additional volatility and exacerbate strategic/business risks. Competition within our core markets is also expected to increase through further competitor innovation and exploitation of emerging technologies.
- We will continue to closely monitor external developments and assess potential impacts under both central and stressed conditions.
- Progress with our strategic change portfolio will also be closely monitored, to ensure that key transformational projects are appropriately prioritised and effectively delivered to support achievement of our strategic objectives.

Governance

The Board of Directors

Year ended 31 December 2024

The biographies of each member of the board are shown here and serve to demonstrate the reasons why the skills and experience of each director contribute to our long-term and sustainable success.

Iain Cornish

Chair and Independent Non-Executive Director

Appointed: Independent non-executive director in January 2019 and Chair of the board in April 2020.

Board committees: Nominations (Chair) and Remuneration committees.

Skills and experience: Iain has worked in financial services for over 30 years. His previous roles include CEO of Yorkshire Building Society and Chair of the Building Societies Association. Iain has also held several non-executive posts, such as: Treasury Select Committee Special Advisor and independent director for the PRA and chaired the Financial Services Authority Practitioner Panel. In addition to significant experience within the sector, Iain has relevant risk and audit committee experience.

Other roles:

- Trustee and treasurer of Macmillan Cancer Support; and
- Chair of Governors at Leeds Beckett University

"As Chair, my role is to lead your board in overseeing the performance of the Society and the development and implementation of its strategy. As I approach the end of my term with the Society, my priority over the next few months will be to make sure that the Society continues to offer sustainable good value to savers and enables as many borrowers as possible to buy the homes they want. At the same time, I will continue to ensure that the Society remains financially secure for the future and provide a strong handover to the new Chair in their new role."

Richard Fearon

Chief Executive Officer

Appointed: Executive director in February 2016 and chief executive officer in February 2019.

Skills and experience: Before joining Leeds Building Society Richard spent 16 years in financial services in roles spanning risk management, mortgages and savings. Richard has an excellent understanding of product development to meet customer needs, as well as strong strategic and commercial skills. As CEO, Richard's responsibilities include promoting the long-term success of the Society and leading the development and implementation of the Society's strategy and purpose in the interest of its members and other stakeholders.

Other roles:

- Director of UK Finance Limited
- Chair of the UK Finance Audit & Oversight Committee
- Member of the UK Finance Mortgages Product and Service Board

"My main responsibility is the day-to-day running of the Society. This involves leading the management team so that we can operate in the best interests of our members and deliver our purpose, as a mutual building society. Our members are at the heart of every decision we make and my ambition is to continue putting home ownership within reach of more people, generation after generation."

Independent Non-Executive Director

Appointed: February 2019.

Board committees: Remuneration (Chair), Board Risk and Nominations committees.

Skills and experience: Before joining the Society, Annette was CEO at Lloyds Bank Private Banking Ltd and managing director of Wealth & Mass Affluent for Lloyds Banking Group. Annette has over 35 years' experience in financial services and has a background in operations, technology and customer engagement. Annette also has recent board and regulatory experience.

Annette is Chair of the Remuneration Committee and as such, part of Annette's role is to make sure the Society has the right reward structures in place to support our mutual culture and to attract and retain the talent we need to deliver our purpose.

Other roles:

- Non-executive director, Chair of Remuneration Committee and senior independent director of GlobalData plc
- Non-executive director, Chair of Remuneration and Nominations committees of Stratos Markets Ltd

"As both the Consumer Duty and the Colleague Engagement Champion, I work closely with the business and the board to ensure our customer and colleague needs are a key area of focus. I regularly meet with colleagues to discuss their experiences and understand any changes they'd like to see within the business to further support both our members and colleagues."

Independent Non-Executive Director

Appointed: April 2023.

Board committees: Audit and Board Risk committees.

Skills and experience: Farah has spent over 23 years working within financial services. Having initially qualified as a chartered accountant at Deloitte, Farah has had a successful executive career, with a focus on private equity and corporate finance, most recently with Hermes GPE and Schroder Adveq. Farah has also held a variety of board roles which includes a portfolio of non-executive positions within financial services institutions. This has given Farah extensive experience in audit, investment, strategy, risk and ESG.

Other roles:

- Non-executive director Aurora UK Alpha plc
- Non-executive director Caledonia Investments plc
- Non-executive director Apollo Syndicate Management Limited
- Non-executive director and Chair of Long Term Assets Limited*

"As a chartered accountant, I bring relevant skills and insight to the Society. Reflecting on my own experiences, I'm able to help develop strategy, ensure positive outcomes and promote fair treatment of all members. With my knowledge and expertise, I bring independent judgement and perspective to board meetings and decisions."

* As at 31 December 2024, the number of non-executive positions held were subject to a waiver issued by the PRA and FCA. From 31 January 2025, Farah resigned from this appointment and therefore a waiver is no longer required.

Chief Financial Officer

Appointed: Chief financial officer in July 2019 and executive director in January 2020.

Skills and experience: Andrew has over 20 years' experience in financial services, including a number of senior roles in both building societies and banking institutions. Having worked within finance, treasury and corporate strategy, Andrew has developed strong technical skills in financial accounting and treasury risk management.

Andrew is Chair of Assets and Liabilities Committee and Balance Sheet Optimisation Group. He has responsibility for our Finance, Treasury, Data and Third-Party Management functions, along with oversight of its recovery and resolution plan and associated activities.

Other roles:

- Trustee for Saltmine Trust

"As CFO I have a responsibility for managing the Society's finances and one focus is to make sure we support our members and colleagues by safeguarding the Society's financial position. Our financial strength remains robust and we're in a great position to invest in the future of the Society. As part of my role, I also regularly meet with the PRA to discuss the ways in which we maintain a safe and sound financial system."

Non-Independent Non-Executive Director

Appointed: March 2012.

Skills and experience: With more than 30 years' experience in financial services, David's career began at Halifax Building Society. David later became the CEO of Sainsbury's Bank. David has a substantial track record of board level leadership roles in retail financial services. Throughout David's career, he's developed a great deal of knowledge in retail financial services. He also has a strong understanding of risk management, pensions and HR. David has been a board member for nearly 12 years and continues to provide challenge, scrutiny and thoughtful discussion at both board and board committee meetings.

"My wide-ranging board level commercial experience enables me to provide both a strategic and an operational perspective on the challenges that the Society faces. As a member of the board my role is to ensure we are financially resilient and have systems in place to manage risks appropriately. With my long-standing tenure, I've been able to provide continuity and support to the board in its succession planning, including that of the Chair."

Independent Non-Executive Director

Appointed: December 2020.

Board committees: Board Risk (Chair), Audit and Remuneration committees.

Skills and experience: Neil has over 40 years' experience in retail banking and financial services. Before joining the Society, Neil was the CRO and executive board director at Bank of Ireland UK plc and CRO at GE Capital Bank Ltd. Neil also previously held a variety of roles including risk director and CRO in the UK retail division of Royal Bank of Scotland and NatWest.

Other roles:

- Non-executive director and Chair of Board Risk Committee of Cynergy Bank Limited

"Through my previous experience as CRO at different organisations I have a strong understanding of risk management and the principal risks facing the financial services industry. This supports me in my role as Chair of the BRC. My role requires me to oversee the delivery of the ERMF which is designed to encourage a culture of sound risk management and internal control. As part of this the BRC monitors the Society's risk exposures. The ethics of a mutual resonate strongly with me and I very much enjoy working with the Society."

Deputy Chief Executive Officer

Appointed: Executive director in January 2015 and deputy chief executive officer in May 2021.

Skills and experience: Andrew joined the Society as a solicitor in 1998 and has worked in a variety of roles. He was CRO from 2011 – 2022 and joined the board in 2015. Andrew has gained extensive experience in risk management and strategy development. He also has a strong knowledge of the organisation, its people and culture.

Andrew is responsible for the Customer and Risk Divisions, as well as the Property and Business Services function. Andrew is also Chair of our Inclusion and Diversity Steering Group, which supports the delivery of our I&D strategy through the progression of our objectives in this area.

Other roles:

- Member of the UK Finance Sustainability Committee
- Member of Shared Ownership Council Senior Advisory Group
- Member of Clarion Housing Association Foresight Group

"As part of my role as deputy CEO, I am responsible for managing climate-related risks. This includes developing our climate transition plans as we move forward in our net zero journey. A key aspect of this is reducing our carbon footprint and working with key stakeholders to help them to do the same. I'm a member of a number of risk-focused committees and Chair of the Cost Optimisation Group."

Independent Non-Executive Director

Appointed: November 2015, vice chair and senior independent director since January 2019.

Board committees: Audit (Chair), Board Risk, Nominations and Remuneration committees.

Skills and experience: Gareth has a great deal of experience in financial services having worked in the industry for over 30 years. This included almost 20 years at Legal & General plc, as a director and CEO of the international division. Before this, Gareth was a chartered accountant at PwC.

Gareth's responsibilities as Chair of the Audit Committee include safeguarding the independence of the Internal Audit function and acting as our Whistleblowing Champion.

Other roles:

- Non-executive director and Chair of Audit Committee of Saga plc
- Non-executive director and Chair of Acromas Insurance Company Ltd

"Over the last year I have worked closely with our new external auditor, Ernst & Young LLP, to ensure a smooth transition. As Chair of the Audit Committee, it's my responsibility to make sure our financial statements are fair, balanced and include all the information you, as a member or stakeholder, need to assess and understand our performance. My other responsibilities include safeguarding and assessing the effectiveness, performance and independence of the Internal Audit function, as well as monitoring the integrity of external financial reporting. Additionally, I act as our Whistleblowing Champion and ensure our culture welcomes open and transparent discussions."

Chief Operating Officer

Appointed: Chief operating officer in September 2019 and executive director in May 2021.

Skills and experience: Before joining Leeds Building Society, Rob spent over ten years working in senior executive technology, operations and change roles. This was mainly at RBS and Lloyds Banking Group, where he was focused on retail banking. His earlier career included time in telecoms and the Royal Navy. Rob also worked as an associate partner at McKinsey and Company where he specialised in advising multinational clients on the design and execution of transformation programmes.

As COO, Rob is Chair of the Executive Transformation and Operational Resilience committees.

Other roles:

- Member of the UK Finance Digital, Technology and Cyber Product and Service Board
- Governor, trustee and director of The Grammar School at Leeds

"My responsibilities include areas in technology, transformation and operational resilience, where I have extensive experience. One of my key priorities is the successful delivery of the Society's multi-year technology transformation programme. This will create increased technical resilience and functionality, enabling us to provide our members with the best possible experience and interaction with the Society."

Independent Non-Executive Director

Appointed: September 2024.

Board committees: Board Risk, Nominations and Remuneration* committees.

Skills and experience: Brendan is a chartered management accountant with broad financial services experience, including insurance and pensions. He is currently Chair of the Board of Nest Corporation (National Employment Savings Trust) and is Chair of a specialist business in the insurance industry. Brendan has successfully led major transformational strategic change in regulated financial institutions as CEO. He has also been at the forefront of public body collaborations between industry and government.

Other roles:

- Chair of Nest Corporation
- Non-executive director of Academy Insurance Services and its connected entities
- Trustee of Blueprint for Better Business Trust
- Trustee of Catholic Diocese of Salford and its connected entities

"I believe passionately that business should be a force for good, by pursuing a clear and compelling purpose. I bring a spectrum of financial services experience and understand how government and other complex stakeholders are best engaged. I am pleased to have joined the Society as a non-executive director and look forward to bringing my skills and experiences to the board."

* Due to start during 2025.

Independent Non-Executive Director

Appointed: May 2023.

Board committees: Board Risk, Nominations and Remuneration committees.

Skills and experience: Pam is a chartered banker and has over 30 years' financial services experience. Her most recent executive role was COO at Paragon Banking Group Plc. Prior to working at Paragon, Pam was managing director Change Delivery at Barclays UK Retail Bank and COO at ING Direct. Pam has extensive experience in operations, people leadership and customer led and digital transformation programmes.

Other roles:

- Non-executive director of Saga Services Ltd

"My experience of financial services operations and transformation programmes is relevant to the progressive agenda at the Society. In my role as a board member, I promote a strong customer-centric and people-focused culture. I also make sure we work to a high level of conduct delivering positive outcomes for our members. To help achieve this I constructively challenge on the strategy and execution plans."

Independent Non-Executive Director

Appointed: October 2021.

Board committees: Board Risk Committee.

Skills and experience: Anita has held a number of senior roles and has extensive expertise in combining technology and change, along with the development and design of customer journeys. Previously Anita worked in transformation, digital and technology for Sky, British Gas and BT Business. During Anita's time at British Gas, she was responsible for the conduct team within customer operations which has enhanced her FCA regulatory knowledge. Anita also has an MBA from London Business School.

Other roles:

- Director of Planning, Transformation and Performance at Virgin Media O2
- Director of Tadayon Consulting Limited

"With over 25 years' knowledge and experience I add value to the board discussions, particularly in transformation and IT/digital areas. I also provide different insights which help me to support the Society on its digital journey. I'm passionate about the values associated with mutuality and continue to bring further strength and diversity to the board."

The Executive Committee (ExCo)

Year ended 31 December 2024

As executive directors of the board, Richard Fearon (CEO), Andrew Greenwood (Deputy CEO), Andrew Conroy (CFO) and Rob Howse (COO), whose biographies can be found on pages 91 to 97, are members of the ExCo. Details of the other members of the ExCo are set out below:

Chief People Officer

Bernadette joined the Society in October 2023 and is responsible for the Society's People Division. She started her career in business and customer roles in retail banking, switching to HR after eight years. Bernadette has spent most of her career in financial services (Barclays, Aviva, National Australia Bank) and has executive experience in the technology and telecoms sector. She has a breadth of generalist HR and specialist knowledge and experience in organisation development, leadership and culture. Bernadette's recent focus has been on developing the Society's colleague strategy, which supports management in its focus on the purpose of putting home ownership within reach of more people – generation after generation.

Chief Internal Auditor

Caroline is a chartered accountant and trained at KPMG, where she spent eight years delivering and managing external audits and other assurance work in the financial services industry. She joined the Society in May 2015 and since then has held several Internal Audit and finance leadership roles. She was appointed chief internal auditor and joined the ExCo in November 2023. Caroline is responsible for leading an independent and effective Internal Audit function, which provides oversight and challenge of the risk and control environment and gives assurance to the Society's board and management team, to support them in delivering its purpose.

Chief Risk Officer

Andy has worked in financial services for over 25 years, with experience in a variety of senior roles in building societies, banking and consultancy. Andy worked in specialised treasury roles prior to risk management, Internal Audit and advisory roles. Andy's recent focus has been on developing the Risk function, as part of the risk strategy refresh and he joined the ExCo in March 2021, following his appointment as risk director and subsequently became CRO from October 2022. Andy is Chair of the Models and Rating System Committee, and co-sponsor of the Gender Equality Forum.

Chief Commercial Officer

Andy joined the Society in 2012 and has held the roles of director of credit risk, deputy CRO and more recently, chief commercial officer, in which he has responsibility for our products and their distribution, our digital channels, brand & marketing, strategy and corporate affairs. Andy's prior experience includes senior risk, commercial and consulting roles across PwC, Skipton Building Society, Northern Rock, National Australia Bank and Bradford & Bingley. Andy is Chair of the Credit Committee.

Corporate Governance Report

Year ended 31 December 2024

Chair's introduction

This report provides an overview of the way in which the board has operated over the last 12 months and outlines how we incorporate good governance throughout the board's operations and ensure that we make balanced decisions in the interests of all our stakeholders.

This will be my last report as Chair of the Society, as I will be retiring from the board at the end of February. I'd like to take this opportunity to welcome Brendan McCafferty, who will be your new chair from 1 March 2025 (subject to regulatory approval). We are delighted that Brendan joined the board in September 2024 and believe his experience and skills will complement those of the board and he'll be able to take the Society forward as it enters a new phase of growth and digital transformation. Gareth Hoskin will also step down in 2025 after just over nine years with the Society. I would like to thank Gareth for the tremendous value and expertise he has brought to the board and the Society more widely.

Over the last 12 months the board continued to focus on serving our members through an environment of changing interest rates and elevated costs of living. Key areas of focus have also included our IT transformation programme and several changes to the composition of the board including: the appointment of a new Chair, senior independent director and Chair of Audit Committee. More information on each of these matters is included in this report.

Some of our key priorities over the last 12 months are outlined below.

Enhancing the digital journey – our members

We recognise the need to have technology and systems that support our ambition to put home ownership within reach of more people – generation after generation. With this in mind it was agreed in 2023 to invest in new core technology, which will provide more flexible and resilient applications to futureproof our systems and provide a foundation for future strategic transformation.

We've also focused on the transformation of our digital experience this year, for both savings and mortgages, bringing improvements to the way new customers apply for our products or manage their accounts online. In addition, our simplified and easy to use digital journeys are helping to make home ownership accessible to even more people.

The transformation programme is a key part of our technology roadmap and will be delivered over a multi-year period. It is crucial to us delivering our purpose, making us more responsive, enabling us to deliver more innovative products to support our members and to improve colleague experience.

The board is passionate about our delivery of this programme and has received regular updates throughout the year as well as dedicated and focused training from our independent board technical advisor, to enable members of the board to develop their technical understanding of the requirements.

People

Over the year, the board invested time in understanding our new multi-year colleague strategy and ambitions for a purposeful colleague value proposition. This is focused on ensuring we have the leadership capability, workforce agility and skill capability to support the Society in delivering its purpose.

Central to the colleague value proposition is how we create a space where colleagues feel they belong and are valued, can make a difference, and thrive and grow. The board have continued to focus on our I&D strategy, and we continue to meet the targets which were set in 2023 for both gender (minimum 30% female) and ethnicity (minimum one board member from ethnic minority background) at board level. As of 31 December 2024, two board members were from an ethnic minority background against a target of at least one.

Governance and board effectiveness

To ensure we, as a board, continue to perform and operate effectively, we understand the requirement and importance of assessing our own effectiveness and performance on an annual basis. This is particularly important as we move into 2025 with several planned changes to our board and committee composition. In 2024, and in line with the requirements of the UK Corporate Governance Code (the Code), a review of our performance was arranged through an external assessor, Board Alchemy. The previous external review was undertaken in 2021 by Russell Reynolds Associates. From the 2024 review, the board was found to be operating effectively with a clear and effective governance framework underpinning how decisions are made, and with clear lines of accountability and responsibility. A detailed report with recommendations was presented to the board towards the end of 2024 with a workshop planned, to mobilise the agreed areas of focus, in early 2025. More detailed information on the evaluation process is available to read on pages 115 to 116 of this report.

We firmly believe that upholding a high level of governance is essential for the long-term sustainable success of the Society and is integral to the delivery of our purpose and strategic aims. Whilst it is not a mandatory requirement, we base our approach to governance on the principles and provisions of the Code, in so far as they are relevant to a building society (as set out in the Building Societies Association Guidance). I am pleased to confirm that our governance arrangements meet the relevant requirements of the Code. A copy of the 2024 Code is available on the FRC's website at **frc.org.uk**.

The FRC published updates to the Code in 2024, which came into force on 1 January 2025, with the exception of principle 29 which is effective from 1 January 2026. A detailed gap analysis of the changes has been undertaken, and we are confident the Society continues to comply, in so far as it is relevant to a building society.

Iain Cornish
Chair of the board

27 February 2025

The board's role

The board's role is to lead the Society and to secure its long-term success by developing and implementing a strategy which delivers the Society's purpose for the benefit of our current and future members, colleagues and the communities we serve. Creating mutual value for our stakeholders is a priority, which the board ensures is integral when making decisions.

The board delegates certain duties to its dedicated board and management committees, each of which has a terms of reference (ToR) which documents the level of delegated authority it has and its areas of focus. Copies of each board committee's ToR can be found on our website: **leedsbuildingsociety.co.uk/your-society/about-us/board-committees.**

Division of responsibilities

There are clear divisions between the roles of the executive and non-executive members of the board. The roles of the Chair and CEO are held by separate individuals and each role has well-defined responsibilities. The division of principal responsibilities of the Chair, CEO and senior independent director is reviewed periodically against their distinct job descriptions and is documented for review and approval by the board. The table below demonstrates how responsibilities are clearly defined for each of these roles, as well as those for the executive directors, NEDs and the Secretary.

All directors work closely with the Secretary, who provides advice on any Society or governance related matters, as well as having access to independent professional advice, if required, at the Society's expense.

Role	Key accountabilities
Chair: Iain Cornish	• The effective running of the board and guardian of the board's decision-making processes. • To support the CEO in the development of strategy and more broadly to provide oversight and advice. • To ensure the board receives accurate, timely and clear information and considers feedback and views from stakeholders, including members and colleagues. • To lead the development and monitoring of the Society's culture and behaviours in line with the Society's purpose blueprint by the governing body as a whole. • To take the lead in providing a properly constructed induction programme for new directors and in identifying and seeking to meet the development needs both of individual directors and the board as a whole. • To ensure the effectiveness of the board, its committees and individual directors is formally and rigorously evaluated, at least once a year (including an external evaluation at least every three years). • To promote the highest standards of integrity, probity and corporate governance. • To oversee the delivery of good customer outcomes, through a customer focused strategy and culture.

Role	Key accountabilities
Chief Executive Officer: Richard Fearon	• To propose, develop and implement the Society's strategy, corporate priorities and purpose blueprint, having regard to promoting our success in the interest of our members and other stakeholders. • To ensure we operate an adequate system of control through the application of a three lines of defence model. • To deliver a balanced business performance across a wide range of scorecard measures, to ensure the achievement of short-term corporate plan objectives, while building long-term sustainable performance. • To set the tone in respect of our culture to ensure appropriate behaviours are demonstrated in line with our purpose blueprint. • To provide information and advice to the Chair, the Nominations Committee and other members of the board, on succession planning, particularly in respect of executive directors. • Responsible for all executive management matters affecting the Society. • To promote and conduct the affairs of the Society with the highest standards of integrity, probity and corporate governance. • To discharge the allocated PRA/FCA Prescribed Responsibilities and FCA Business Activities via the Society's management forums in line with the Society's Risk Management Framework. • To promote and ensure the delivery of good customer outcomes through a customer focused strategy and culture.
Senior Independent Director: Gareth Hoskin	• To work closely with the Chair, acting as a sounding board and providing support. • To act as an intermediary for other directors, as and when necessary. • Be available to key stakeholders to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication. • To lead the performance evaluation of the Chair. • To deputise for the Chair and chair meetings where the Chair is conflicted. • To support the Chair in providing oversight of the delivery of good customer outcomes, through a customer focused strategy and culture.
Non-executive Directors: Annette Barnes Farah Buckley David Fisher Neil Fuller Brendan McCafferty Pam Rowland Anita Tadayon	• To help develop and constructively challenge proposals on strategy, ensuring a high level of conduct and positive outcomes. • To bring independent judgement and perspective to board debates and decisions and to use their own experience to constructively challenge the proposals and updates from the SLT. • To set our risk appetite and to ensure that the integrity of financial information and controls are robust and fit for purpose. • To approve the corporate plan and monitor performance against agreed corporate priorities. • To have oversight of the culture, reward and talent management strategies whilst ensuring management performance achieves the corporate goals. • To ensure the Society operates with the highest level of governance as set out in the Code and to assist in the discharge of PRA/FCA prescribed responsibilities and FCA business activities via management forums, in line with the ERMF. • To promote the fair treatment of all members/customers. • To be sufficiently and appropriately informed of the matters under discussion and to represent and have regard to the interests and views of the Society's stakeholder groups, including but not limited to members. • Oversee and promote the delivery of good customer outcomes through a customer-focused strategy and culture.

Role	Key accountabilities
Executive directors: Andrew Greenwood Andrew Conroy Rob Howse	• To be responsible for and have oversight of the day-to-day management of the Society. • To escalate relevant issues to the rest of the board on a timely basis. • To set the strategy of the Society alongside the rest of the board and ensure the necessary business activities are undertaken to meet strategic objectives and delivery of strategy overall. • To ensure that prudential, conduct and operational risks are adequately controlled. • To ensure the Society operates within the agreed risk appetite and Internal Risk Framework. • To oversee and promote the delivery of good customer outcomes through a customer focused strategy and culture.
Secretary: Katherine Tong	• To provide advice and updates to the board in respect of all governance related matters and best practice guidance. • To provide support to the board to ensure that complete and timely papers are received in advance of all board and board Committee meetings. • To act as a point of contact for all board members and provide advice as required. • To provide all necessary support to ensure the board can function effectively with the appropriate resources in place.

Board committee structure

Board

Nominations Committee	Audit Committee	Board Risk Committee	Remuneration Committee
Annette Barnes	Farah Buckley	Annette Barnes	Annette Barnes
Iain Cornish	Neil Fuller	Farah Buckley	Iain Cornish
Gareth Hoskin	Gareth Hoskin	Neil Fuller	Neil Fuller
Brendan McCafferty		Gareth Hoskin	Gareth Hoskin
Pam Rowland		Brendan McCafferty	Brendan McCafferty*
		Pam Rowland	Pam Rowland
		Anita Tadayon	

Our ExCo is chaired by the CEO and has the primary purpose of enabling the executive directors and chief officers to manage the Society in a coordinated way, taking a broad view of key issues and priorities. It delegates some of its duties to, and is supported by, a number of management committees.

Oversight of matters delegated to board committees, is maintained through regular updates from the Chair of each committee at board meetings and through updates from the CEO and other executive directors. Members of the ExCo also attend board meetings on a regular basis to provide updates from each business area and to discuss any pertinent matters.

* Due to start during 2025.

Membership of each board committee is comprised of independent NEDs, most relevant to their skills and areas of expertise. The Chair of each committee is responsible for ensuring receipt of accurate, timely and clear information to assist with their deliberations and decision-making. Board committees have been established in line with the provisions of the Code and membership is limited to NEDs only, with other board members and senior leaders in attendance, as and when required. Details on each committee and their membership can be found in each committee's individual report on page 98 and from 118 to 137.

The board maintains a schedule of matters reserved for its own decision, which sets out the material items for which approval is required from the board. Examples of items which are within the board's remit are displayed below.

Area of focus	Board responsibilities
Financial reporting	Review of the Society's annual and interim financial statements.
	Approval of the corporate plan and forecast updates.
	Monitor the performance of the Society and its capital and liquidity requirements.
Strategy/purpose	Approval and oversight of technological enhancements and transformation change to the Society's operations.
	Development and oversight of the Society's purpose and strategy.
Stakeholder engagement	Stakeholder engagement including seeking the right outcomes for our members.
	Approval of an NED to be appointed as (a) the Colleague Engagement Champion; and (b) Consumer Duty Champion.
	Review of the development and implementation of the Colleague Strategy.
Risk management	Annual review of the effectiveness of our systems of internal control.
	Annual approval of the Society's risk appetite.
Governance	Proposals for the appointment, re-appointment or removal of external auditors.
	Annual approval of the Speak Up policy.
	Set the tone and monitor culture.
	Review and approve the framework of delegated authorities and mandates.
	Authority for large initiatives including acquisitions or disposals and contract expenditure.
	Appointment of any committees of the board and their ToR.
	Approval of and changes to the Corporate Governance Framework.
	Undertaking a rigorous and formal review annually of its own performance, committees and individual directors.

Full details of the board's role and the matters reserved for its decision can be found within the Matters Reserved for the Board and the board's ToR, which are available on our website: **leedsbuildingsociety.co.uk/your-society/about-us/board-committees.**

Board meetings

The board is led by the Chair and operates through a series of scheduled meetings which are held as often as is necessary to discharge its obligations and to ensure the smooth running of the Society. There are usually at least eight board meetings per year, with two additional meetings dedicated to planning and strategy in May and October. Ad-hoc meetings are convened should any issues arise in the interim which require board discussion/approval.

In addition to the schedule of matters reserved for its decision, the board has formal ToR, which incorporate a clear set of roles and responsibilities. The ToR are used to plan the agenda for each meeting. This allows the Secretary the flexibility to allocate time to additional agenda items as matters arise that require discussion.

For each meeting, a comprehensive and timely set of papers is provided in advance. The board typically receives certain regular items at every meeting, such as the minutes of the previous meeting, minutes of any board committee meetings held since the previous meeting, an action schedule, schedule of key matters, a written update from the CEO, business performance scorecard and updates on strategic matters, regulatory developments and business transformation.

Agendas also regularly include an item to reflect on the quality of the discussions held, the content of papers and behaviours displayed. The purpose of this item is to gain constructive feedback on the content and format of papers, in real time and in an open and transparent manner and ensure that the board reflect on whether together, they are creating the right environment for effective decision-making.

Board decisions and stakeholder engagement

The board recognises the diverse range of our stakeholders and the importance of assessing and understanding their needs. Established engagement channels are in place for each stakeholder group and the board receives insight from each stakeholder group through a combination of direct and indirect engagement and through the reports it receives at board or board committee level.

Purpose, strategy, and stakeholder impact are central to the board's decision-making process. All board papers which require a decision from the board are required to include information on the key stakeholder groups which may be impacted by the outcome of any decisions made, and to show how they have been considered.

Over recent years the board has sought to significantly increase its engagement with stakeholders to gain more insight into their views and requirements, and overall, to enhance its decision-making. An action arising from the 2023 board effectiveness review was to review how the voice of stakeholders can be amplified. In response, throughout 2024, the board heard from stakeholders in a variety of different means, which are summarised below. In conclusion, it was discussed that the variety in approach had created a positive impact and generated better debate in board meetings.

Examples of how the board heard from stakeholders in 2024 are set out below:

- In March, a board meeting was held at the Society's contact centre, during which colleagues from different teams met with the board in person to speak about Customer in Vulnerable Circumstances (CiVC), I&D, innovation and cost consciousness and customer experience. The board also heard from contact centre managers who outlined their challenges, achievements, priorities and how they worked with colleagues to deliver excellent service and good customer outcomes. Neurodiverse colleagues explained to the board how induction and training had been adjusted to meet their needs, and they shared their experiences of working at the Society. Members of the board also sat with colleagues to listen to customer calls.
- Members of the board were invited to view an exhibition of material about first time buyers and listen to views of first time buyers on the challenges they face getting onto the housing ladder. An external speaker was also invited to present to the board about the challenges associated with tackling the home ownership problem in the UK.
- Leads of the Society's I&D colleague forums were invited to meet with board members during an informal lunch meeting and share first-hand feedback on the activities underway.
- There was a presentation from colleagues in the Digital and Brand Teams about enhancements made to the digital journey for savings customers and their vision for the Society's brand.
- The Chair of the Colleague Association attended a board meeting to provide an annual update on the association's activities.
- The board received a detailed presentation from an economics consultancy as to how Consumer Duty and banking regulation was affecting market outcomes and competitive advantages between building societies and banks.
- There was an interactive session whereby board members were split into smaller groups and were joined by colleagues to discuss the Society's colleague strategy and colleague value proposition.
- Updates were received throughout the year from NEDs following meetings with colleagues/other stakeholders, examples of which are included in the table below:

Non-executive director	Stakeholder interaction
Neil Fuller and Anita Tadayon	Neil and Anita met with colleagues from the Digital Team and provided an update on their discussions around the progress on digital transformation, agile delivery and next steps to progress the technology road map.
Iain Cornish	Iain attended a meeting with each of the colleague-led I&D forums and reported it was useful to see the areas in which colleagues were having an influence.
Annette Barnes	Annette attended a joint session with the FCA and KPMG to discuss Consumer Duty and the impact so far, following which she provided an update to the board.
Annette Barnes, Anita Tadayon and Pam Rowland	Annette, Anita and Pam hosted two dinners for groups of female leaders from across the business.
Neil Fuller	Neil held regular meetings with colleagues from the Risk Division to discuss key matters.
Gareth Hoskin and Farah Buckley	Gareth and Farah met with the external audit partner to discuss audit planning and to ensure a smooth transition from Deloitte LLP to Ernst & Young LLP.
David Fisher	David met with Board Alchemy to discuss and agree the approach for the 2024 board effectiveness review.
Annette Barnes	As Colleague Engagement Champion, Annette provided detailed updates regarding her engagement with colleagues over the year, including an overview of colleague engagement survey results, an update on career pathway development and discussions held at Colleague Association meetings.
Iain Cornish	Iain hosted the first Empowering People of Colour (EPoC) session with Andrew Conroy and reported that it had been received positively by both internal and external attendees.
Anita Tadayon and Brendan McCafferty	Anita and Brendan carried out a visit to the Society's contact centre in the North East, where they listened to calls and met with the Continuous Improvement (CI) Team.

'Stakeholder feedback and insight from engagement with colleagues and members' also featured as a regular board agenda item in 2024. This generated more updates from board members regarding any stakeholder interactions they have had since the previous meeting, whether with colleagues, members, industry bodies, the Society's regulators or otherwise.

Further details on our stakeholders and their importance to us can be found on pages 25 to 28 of the Strategic Report.

Board papers

High quality report writing, and board papers are also a key element to ensuring effective and informed decision-making. The materials provided to the board are reviewed regularly to ensure the information provided is clear and concise, with sufficient detail to enable a decision to be made. As part of the 2023 board effectiveness review, an action was taken to further improve reports which are presented and to ensure reports are clear in the 'ask' of the board, the purpose is clearly defined and to streamline the content where appropriate. Consequently, an external training provider was engaged to provide training to report writers, with the focus being on creating more concise and purposeful reports.

Board and board committee meetings attendance in 2024

In 2024, there were 12 meetings of the board. The table below sets out the attendance records of each board member at all board and board committee meetings of which they are members. In accordance with good practice, executive directors do not have membership rights at board committee meetings and the Chair does not have membership rights at Audit Committee or BRC.

	Board	Audit	Board Risk	Nominations	Remuneration
Number of meetings held in 2024	**12/12**	**6**	**7**	**4**	**4**
Annette Barnes	12/12	–	7/7	4/4	4/4
Farah Buckley	12/12	6/6	7/7	–	–
Andrew Conroy	12/12	–	–	–	–
Iain Cornish	12/12	–	–	4/4	4/4
Richard Fearon	12/12	–	–	–	–
David Fisher	10/12	–	–	–	–
Neil Fuller	12/12	6/6	7/7	–	4/4
Andrew Greenwood	12/12	–	–	–	–
Gareth Hoskin	12/12	6/6	6/7	4/4	4/4
Rob Howse	12/12	–	–	–	–
Brendan McCafferty*	3/4	–	2/2	1/1	–
Pam Rowland	12/12	–	7/7	4/4	4/4
Anita Tadayon	12/12	–	7/7	–	–

*Brendan joined the board on 1 September 2024.

2024 key board activities

Our purpose blueprint underpins our strategic plan and will continue to guide our thinking to future proof our Society for years to come. Being purpose-led challenges us to be the best we can for our members, and to do that, we need to maintain the upward trajectory we've seen in recent years by stretching ourselves and embracing opportunities to unlock our potential to its fullest.

Examples of the core board activities undertaken over the year are outlined in the table below.

Theme	Items	Discussion points
Capital strategy	Redemption of PIBS	Following detailed analysis, it was agreed to redeem the Society's issuance of PIBS in April 2024.
Technology roadmap	Digital to customer road map review	The board received an interactive update from members of the Digital Team, setting out the Society's plans to enhance its digital capabilities and improve customer experience.
	IT transformation project	The board received regular updates on the IT transformation programme and its governance framework. More detail can be found in the strategic report on page 29.
Customer proposition and brand strategy	First time buyer: customer voice and proposition roadmap	A discussion to strengthen understanding of first time buyers, their behaviours and challenges, and how best to service customers in this market.
	Brand re-launch	Updates were received on the Society's brand and how this had created a tangible and emotional connection with the Society's members and purpose.
Financial planning	2025 corporate plan	The board reviewed and approved the corporate plan for 2025.
People and culture	Inclusion and diversity and colleague strategy	The board received an update on the outcome and conclusions of the culture audit, which had been conducted by Internal Audit, along with a further update on the proposed multi-year colleague strategy, which had also been discussed at the board strategy conference earlier in the year and was endorsed by the board.
	Updates from the Colleague Engagement Champion	As Colleague Engagement Champion, Annette Barnes also provided updates to the board on her engagement with colleagues and the Colleague Association. More details on this are included on page 16 of this report.
Succession planning	Appointment of a new Chair and other changes to key board roles	Following recommendations from the Nominations Committee, the board approved a number of changes to board roles, including the appointment of Brendan McCafferty as the new Chair, subject to regulatory approval.
Members	Updates from the Consumer Duty Champion	Annette Barnes provided updates in her role as Consumer Duty Champion, including insight from industry insight sessions to discuss its impact and pace of embedding in the industry, since its inception in July 2023.
Reflections of a new director	Update from Farah Buckley and Pam Rowland	Farah Buckley and Pam Rowland held a first impressions session following their first six months on the board to capture the perceptions of individuals new to the board.

Strategic planning

From a strategic planning perspective, each year the board also holds two conferences, one for strategy in May and one for planning in October. Each conference has a detailed agenda and supporting information to provide the basis for discussions on the strategic plans and objectives for the forthcoming year. The items discussed at this year's conferences are summarised below:

Theme	Purpose	Outcome
Purpose	To take stock of where we are on our journey to becoming a truly purpose-led, customer-focused, commercially sustainable business and to validate whether our key areas of focus remain appropriate in light of external environment dynamics.	A reinforced, shared understanding of the business we are building and the key areas that require discipline and focus.
Sustainable business model	To discuss key business model dynamics and, in relation to growth, how credit risk appetite could be deployed safely to deliver against the Society's purpose.	To align board understanding of the dynamics at play, support the current trade-off between balance sheet resilience, customer focus and profitability and back the proposed lending opportunities, to offset potential headwinds.
Colleague strategy	To outline the context and priorities for our multi-year colleague strategy, which will provide the direction to supercharge our purpose through people.	Endorsement of the ambitions of our multi-year colleague strategy.
Driving value through our operating model	To take stock of the progress made towards implementing the agreed Society-wide operating model and to share the proposed actions that will help build our cost efficiency strategic differentiator.	A shared understanding of our operating model dynamics and any residual capability gaps that need to be addressed.

Our culture

We continue to review and evaluate our culture on a regular basis. Time was allocated during 2024 for discussions with the board to gain their input into the development of our culture and how to enable high performing teams.

An effective listening approach was recognised as a critical step in elevating our culture to achieve higher performance, support our innovation and enable us to respond quickly to both colleagues' and members' needs. Various listening channels have been used to elevate the voice of our colleagues, including:

- Our colleague engagement surveys
- Established groups, such as our colleague I&D forums and Colleague Association
- Colleague Voice sessions
- Colleague events such as our annual results roadshow, thank you visits, organised listening groups and mentoring

In 2024, we continued to build an 'inclusive by design' culture, completing a significant investment in our Empowering Allyship programme, which 86% of colleagues participated in. We have also continued to offer development to support people leaders and colleagues build their capability around driving performance, including training on courageous conversations and giving and receiving feedback.

As outlined above, we measure and monitor culture through activity such as understanding our colleague sentiment, through colleague engagement surveys and focus groups. In 2024 we also used two shorter 'pulse' surveys, in March and October, to conduct 'temperature checks' against progress.

In addition, in the first half of 2024, our Internal Audit function performed a culture audit to assess the Society's culture and how well the agreed behaviours were embedded. The primary source of information was colleague opinion and experience, and the review included a combination of focus group discussions and individual interviews, covering a set of structured interview questions, with over 100 colleagues. Participants in these discussions were from all divisions, grades and a range of locations. Additional data sources were also used, including the June 2024 colleague engagement survey, to gain further insight on the themes emerging from the focus groups and interviews. There was a high degree of correlation between the outputs of the audit and the results of the colleague engagement survey.

The outcome of the audit confirmed that the Society's culture is good, and demonstrable progress has been made towards the stated aim of going from 'good to great'. Colleagues believe in the Society's purpose and feel that the people around them help to create a positive workplace environment. Colleagues also continue to feel encouraged to do the right thing for our members. Many colleagues said the culture is something that has attracted them to or kept them at the Society.

When comparing to the themes from previous reviews, it was found that significant progress has been made on the 'tone from the top' (which was defined as strong colleague understanding and belief in the purpose blueprint).

The review also highlighted that there's more we can do to elevate performance, and some key themes were identified, for example to provide colleagues with more constructive feedback to promote continued development, to empower colleagues appropriately in decision-making and to embed more consistent demonstration of all of our expected behaviours.

Whistleblowing

Our whistleblowing policy - Speak Up - sets out the standards we expect of colleagues and those who work with us. Our Speak Up arrangements can be used to raise concerns if colleagues have any suspicions or knowledge of wrongdoing or misconduct. Colleagues are reminded that it is important to speak up to help prevent things going wrong and to protect the Society, our members and colleagues. We continue to reinforce the internal arrangements for raising concerns, through providing colleagues with ongoing communication, training and awareness by a variety of means including articles and procedures and guidance published on the colleague intranet.

In our Speak Up Standard, colleagues can find the procedure, frequently asked questions and guidance on how to report a concern. The Audit Committee annually reviews our Speak Up arrangements and any reports arising, with final approval from the board. In 2024, the report to the Audit Committee and to the board confirmed details of a small number of Speak Up notifications received through the Speak Up hotline during the period September 2023 - August 2024. The report provided details of each matter and confirmed each one had been investigated, and appropriate action taken. In 2024, there were no instances of which we are aware, where events have occurred where a Speak Up could have been raised and was missed.

We consider our Speak Up arrangements to be effective and will continue to keep this under review, especially to take account of colleague feedback.

Gareth Hoskin continues to be the Society's appointed Whistleblowing Champion and will be succeeded by Farah Buckley, when he steps down in March 2025.

Inclusion and Diversity – 2024 activities

The I&D strategy and our performance against the deliverables is important to the board and remains high on its agenda. The board is pleased with overall progress made within this area and the momentum with which it has moved forward in recent years. However, we know there is more to do, especially to increase diverse representation at a senior level. Included below are examples of the ways in which we have progressed and enhanced our I&D activities over the last 12 months.

- A detailed discussion was had by the board in September on progress against our I&D strategy. Board members agreed the diversity targets set for 2030 felt achievable with disciplined focus. It was also discussed that increasing diversity within the senior leadership cohort was more difficult and that it was important to build a long-term strategy to achieve and maintain success. More information is available in the Nominations Committee Report on pages 122 to 123.
- Our Inclusion Steering Committee (ISC), which is chaired by Andrew Greenwood (Deputy CEO) met three times in 2024 and was attended by each Colleague Forum lead and senior sponsor, the I&D team and overall sponsors of our I&D agenda. The ISC reviews progress on our strategy and ensures we are taking an intersectional approach to our actions.
- The board met with members of each colleague forum as part of an informal networking session.
- The Chair attended meetings with each colleague forum, listened to feedback and shared the board's own reflections.
- Our female NEDs hosted two dinners for females who are in mid-level/new to leadership positions to support the development of our gender diverse talent pipelines. Attendees to these dinners have also taken part in group mentoring sessions sponsored by female members of the SLT.
- Several NEDs have also supported various I&D events. For example, Anita Tadayon joined a panel discussion for International Women's Day and Annette Barnes has recently taken part in a wellbeing podcast that was shared internally.

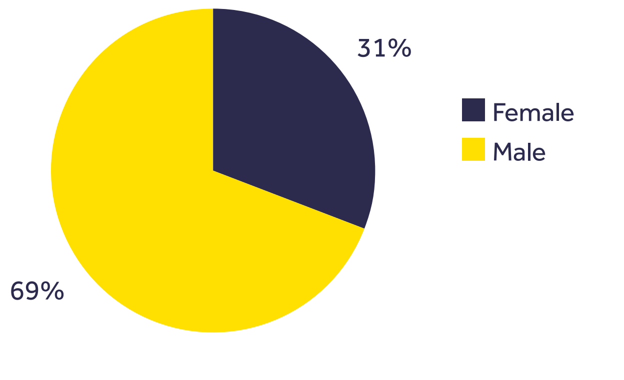
To support the delivery of our I&D strategy, the Society has several well established colleague-led I&D forums.

Other activities to support us to meet our ambitions in this area include:

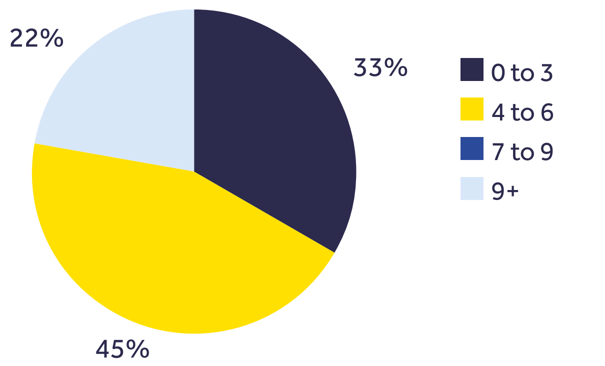
- We work with external bodies to review and validate our action plans such as Inclusive Employers, Business Disability Forum and Business in the Community.
- We continue to be signatories to the Women in Finance Charter, as well as the Business in the Community Race at Work Charter and the Open Doors Campaign (which promotes inclusive recruitment).
- We have achieved the Disability Confident Level 2 standard and in 2023, we received a gold accreditation in the Inclusive Employers Standard which independently reviewed our progress against our I&D strategy since its launch.

Composition, succession and evaluation

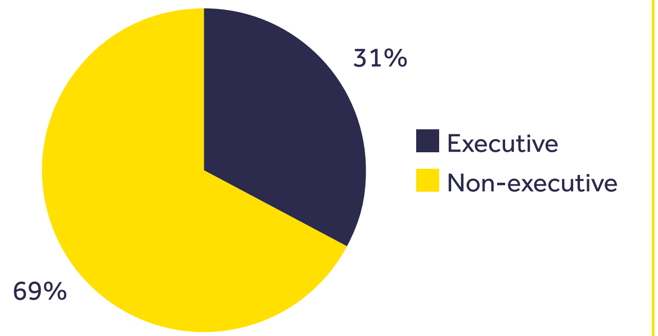
Board diversity
(as at 31 December 2024)



Tenure of non-executive directors
(as at 31 December 2024)



Executive and non-executive composition
(as at 31 December 2024)



The Code requires at least half of the board, excluding the Chair, to be made up of independent NEDs. As at 31 December 2024, the board comprised thirteen directors; four executive directors, eight independent NEDs and one non-independent NED and therefore meets the requirement of the Code.

A number of changes to the board composition were discussed and agreed during 2024 which will come into effect in 2025.

During the year, Brendan McCafferty was appointed as an independent NED, with the intention he will become Chair from 1 March 2025 (subject to regulatory approval). In addition, having served on the board for over nine years, Gareth Hoskin will step down as a NED, senior independent director and Chair of Audit Committee on 31st March 2025. Farah Buckley will be appointed as Chair of Audit Committee and Annette Barnes will become the senior independent director.

The board considers and acts upon recommendations for all new appointments to the board and its committees, from the Nominations Committee. At the first opportunity following their initial appointment by the board, directors must be elected to the board by members at the annual general meeting. Brendan McCafferty will therefore be standing for election for the first time in April 2025. Following their initial election, all directors stand for annual re-election at the AGM and their continued appointment is dependent on their successful re-election each year.

The Society's rules permit members to be nominated for election to the board, subject to compliance with PRA and FCA requirements.

For more information on succession plans, recruitment and the selection process for the Chair, please refer to the Nominations Committee Report on page 118 to 123.

Board conflicts of interest

All directors have a duty to disclose and notify the board of any potential, or actual conflicts of interest which should then be considered and, if appropriate, approved by the board. The board has Conflicts of Interest Standards which set out the policy and procedures for declaring and authorising any conflicts of interest, provides examples of what would constitute a conflict of interest and refers board members to the Secretary for advice where required.

A detailed register of any potential or actual conflicts of interest is maintained by the Secretary and is submitted to the Nominations Committee and to the board for review and consideration at least annually, to ensure that all declarations remain acceptable. The Secretary also asks board members to confirm periodically if there have been changes or updates to the register. The Chair will also discuss any potential or actual conflicts of interest with each NED in their annual appraisal and will update the board thereafter should there be any changes.

Additional roles and time commitment

The expected time commitment for NEDs is usually a minimum of 3 days per month.

All new board candidates are required to provide details of any other external appointments or positions they hold, to ensure they have sufficient capacity to undertake the role and to assess if there are any potential, perceived or actual conflicts of interest arising from their other appointments.

Before committing to any additional external appointments, directors are required to disclose details of the appointment, the time commitment for the role and whether there is any potential, perceived or actual conflict of interest. Approval from the board is required before any new additional roles can be accepted.

During the year, no additional statutory directorships were approved, however Andrew Greenwood was appointed as an advisory member of the Clarion Foresight Group.

Each year, board members are requested to attest if the level of time commitment to their other roles has changed. This is then assessed by the Nominations Committee and an update is provided to the board. In 2024, it was considered that all members of the board had sufficient time to fulfil their role.

As disclosed in 2023, and as at 31 December 2024, Farah Buckley held more than the prescribed number of directorships under Article 91 of the Capital Requirements Directive IV and SYSC 4.3A.6R/GOR 5.5, which stipulates a maximum of four NED roles can be held by a member of the management body. Owing to the non-material nature of some of Farah's additional roles and low time commitment, the regulators agreed to a modification of the rules (under Section 138A of the FSMA) up until 1 July 2025. From 31 January 2025, Farah resigned from her position with Long Term Assets Limited and therefore a waiver is no longer required.

A list of all external directorships held by board members is shown in the Annual Business Statement on page 223.

Board independence

The independence of our NEDs is considered annually by the Nominations Committee and is assessed against the criteria set out in the Code. In 2024, the Nominations Committee and the board agreed that all NEDs, with the exception of David Fisher, were considered to remain independent in character and judgement and that there were no business or other circumstances which were likely to impair their independence.

Whilst David Fisher continues to display independent character and judgement, as disclosed in 2023, he has been considered as a non-independent NED since December 2023, owing to the time he has been on the board, over and above the nine-year term. In accordance with the Code requirements, David remains as a member of the Society's board only and, whilst he attends certain board committees, he is not classed as a member. It was agreed in 2023 that David's position would continue for up to a further three years (to 2026) to support the changes on the board.

Gareth Hoskin reached his nine-year anniversary with the Society in November 2024 and the board agreed a short extension of his term, to 31 March 2025, to provide continuity during Ernst & Young LLP's first year as auditor and to support the financial year end process, as Chair of Audit Committee.

Board effectiveness 2024

Our annual board effectiveness review provides the board and its committees with an opportunity to consider and reflect on the quality of its debate and decision-making and for individual and collective consideration of performance. In 2024, and in line with the requirements of the Code to have an external review at least every three years, an external facilitator, Board Alchemy, was appointed to conduct a review. The Society has no prior connection or conflict of interest with Board Alchemy.

As part of the review, the external reviewees were specifically asked to give focus to three matters. The first being how cognitive diversity could be better harnessed, secondly, to consider how adept the board is at being future focused and lastly, how can the board govern optimally, to focus on the things that matter most.

The table below sets out the agreed approach for the evaluation:

Approach	Result
Questionnaires	A questionnaire was issued and completed by all 12 directors (excluding the incoming Chair), which provided their high-level views on the key drivers of board effectiveness. Feedback from the questionnaires was used as the basis of the interviews and board members were also asked to complete a questionnaire that assessed their skills and experience on a self-assessment basis. The format of this was similar to previous years for internal assessments but was expanded to ask more about soft skills and attributes.
Interviews	All 12 directors on the board at the time were interviewed. The incoming Chair joined the board in September 2024 and, being a new board member, was not interviewed. The reviewer also met with eight senior colleagues, the board technology advisor and the external audit partner.
Other	Additionally, the review work was supplemented by an analysis of Hogan Assessments for all board members (including that of the incoming Chair), one to one feedback sessions and observation of a board and board committee meeting.

On completion of their evaluation, Board Alchemy attended a meeting of the Nominations Committee in October and a board meeting in November to present their initial findings. The review concluded that the board operates effectively in a context of recent strong financial performance and a robust capital position. They also concluded there is a good understanding of the role of the board and clear separation of the roles of executives and non-executives. Board meetings are efficiently chaired, and all board members are encouraged to contribute. The board gives focus to appropriate areas, including stakeholders and is well supported by the committees. It was also noted that there is an appropriate range of skills and experience on the board and there has been thoughtful succession planning which has led to improved cognitive diversity.

A full and final report was provided to the board in December 2024, with a workshop scheduled in 2025, to mobilise the agreed areas for focus.

In 2024, an update on the 2023 board effectiveness review and the progress made against each of the agreed actions was provided to the board. The agreed actions have been completed and there have been improvements in the style of reporting and presentations at board meetings, externally facilitated training on report writing has been provided to report writers and improvements have been made to board agendas to ensure that the purpose and outcome of each item is clear.

Committee effectiveness

All board committees also periodically evaluate their own performance and effectiveness, and that of the committee chairs, through a series of questions, which are sent to all members and regular attendees of the committees. This process identifies any areas where members may require further training or development to discharge their duties effectively, or where the overall performance or approach of the committee or Chair could be improved. The evaluation process followed in 2024 concluded that committees were operating effectively.

Directors' induction

On appointment, all directors, receive a comprehensive induction programme, which is tailored to their individual requirements and based on their existing skills and expertise and the specific board and board committee roles they will undertake.

The programme aims to support new directors to understand the Society's activities and their roles within the committee and governance structure.

As a newly appointed director in 2024, Brendan McCafferty regularly met with the Chair and the CEO to discuss a wide range of topics, including strategic items, market trends, corporate objectives and performance against these. Linked to his board committee membership responsibilities, he also attended introductory meetings with the chairs of the relevant board committees and received detailed guidance on the board's governance structure from the Society Secretary. He was also provided with various documents to familiarise himself with, including the Society's Rules and Memorandum, our director's information manual, our business model, our Responsible Business Model Framework, key board papers from the last 12 months and a summary of the outputs from the previous board effectiveness review.

As part of the detailed induction programme, he met with several senior colleagues to discuss key topics being discussed at board, including, for example, the IT transformation project as well as leads from each of the colleague inclusion and diversity forums.

Brendan's induction plan also included a visit to a number of branches and the contact centre.

Farah Buckley and Pam Rowland provided an update to the January board meeting on their reflections following their first six months with the Society. Farah noted she had attended several of the colleague I&D forums and had been particularly struck by the passion of colleagues and how much they cared. Pam also said she had been impressed with the prevalence of purpose in all discussions and there was evidently a great pride in the branch network, with a strong focus on members and delivering the right outcomes. Both Pam and Farah also discussed ways to enhance efficiencies and streamline decision-making processes.

Individual director evaluation and appraisal

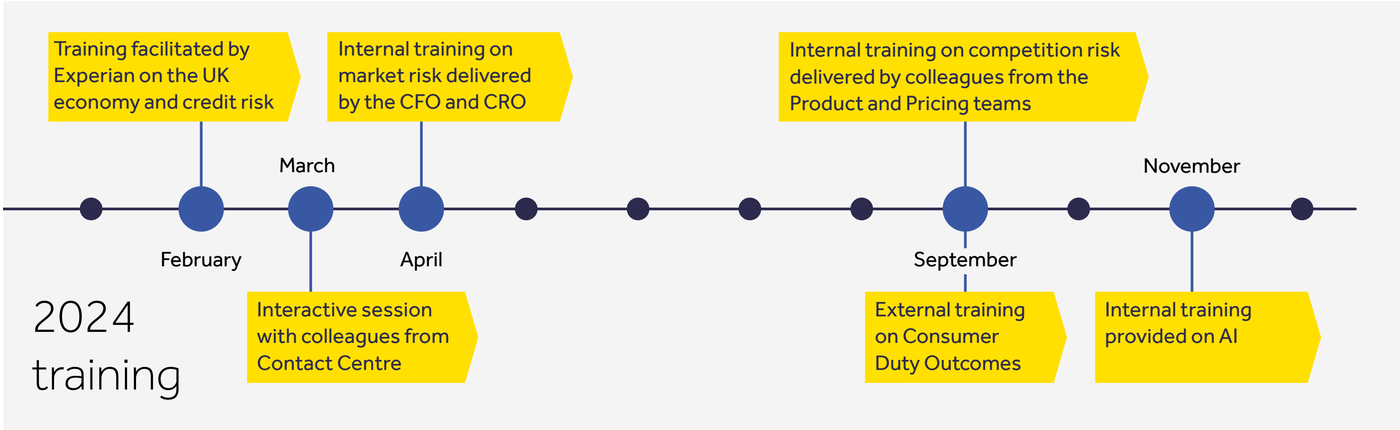
Individual director performance is assessed through regular dialogue with the Chair and an annual appraisal is held at the end of each calendar year. The appraisal process is led by the Chair and involves a discussion on each board member's personal development, any training requirements and their contribution to board discussions and any reflections they may have on pertinent matters. In addition, confirmation is sought that the individual director has sufficient time to discharge their fiduciary duties and that they are not conflicted in any way, which would mean they were unable to fully perform their role.

The Chair's performance was evaluated by Gareth Hoskin as the senior independent director, and it incorporated feedback provided from both the non-executive and the executive directors. The outcome of the appraisal was shared at the January 2024 board meeting, without the Chair being present. The Chair and all the NEDs are considered to be performing effectively in their roles.

Board training

The board and committees receive training throughout the year. Members of the board are invited to suggest topics and themes where training and development is required. In addition, board members are encouraged to correspond with industry peers and attend externally facilitated events and seminars to maintain and develop knowledge and gain insight into matters which impact the Society.

In 2024, the board received training on several topics including:



Training is also delivered to board members through the Remuneration, Audit and Board Risk Committees.

Audit, risk and internal control

Our internal governance arrangements continue to support the independence and effectiveness of the Audit function and the integrity of our financial statements. The Audit Committee Report on page 124 to 132 provides further information in this regard. We also have an ERMF in place, designed to manage risk, oversee internal control effectiveness and determine the principal risks, so that we may achieve our long-term strategic objectives. The Risk Management Report on page 62 to 89 provides an overview of our approach to risk and internal control.

Remuneration

A summary of the work undertaken by the Remuneration Committee can be found within the Directors' Remuneration Report at page 136 to 151.

Approved by the board of directors and signed on behalf on the board.

Iain Cornish
Chair

27 February 2025

Nominations Committee Report

Year ended 31 December 2024

Nominations Committee highlights from 2024

- Appointment of Brendan McCafferty as new Chair of the board and Nominations Committee during 2025
- Appointment of a new Audit Committee Chair and senior independent director during 2025
- External board effectiveness review

List of committee members as of 31 December 2024

- Iain Cornish (Chair)
- Gareth Hoskin
- Pam Rowland
- Annette Barnes
- Brendan McCafferty

Number of meetings and attendance

- Four scheduled meetings

The attendance records from each meeting in 2024 are included in the Corporate Governance report on page 107.

Introduction from the Chair

I am pleased to present our 2024 report on the Nominations Committee, which summarises our activities over the past year and the role and responsibilities of the committee.

Committee focus 2024

Key areas of focus for the committee in 2024 have included recruitment and onboarding for our new Chair, Brendan McCafferty, led by the senior independent director, Gareth Hoskin. I am delighted that Brendan has joined the board as an independent NED and will take over from me as Chair, subject to regulatory approval, when I leave at the end of February. Brendan has extensive experience in financial services, including having worked as CEO for AXA Insurance. He is currently Chair of Nest Corporation (also known as the National Employment Savings Trust) and a NED of Academy Insurance Services and its connected companies.

With a number of planned changes to board composition on the horizon in 2025, the Committee spent considerable time reviewing and agreeing changes to key roles and responsibilities to ensure orderly and timely succession arrangements were in place. In addition to the new Chair, the Committee also agreed a succession plan for Gareth Hoskin once he steps down from the board in March 2025, having spent over nine years with the Society.

The Committee also focused closely on the external board evaluation exercise which took place in September and was facilitated by an external company, Board Alchemy. I am pleased to confirm that the evaluation concluded that the board continues to operate effectively. More information on the outcome and the evaluation process is included below and in the Corporate Governance Report on pages 115 to 116.

Role and responsibilities

A summary of the Committee's role and the activities undertaken in 2024 are detailed below.

Nominations Committee responsibilities:

- Oversight of succession planning and pipeline development for directors and the SLT, ensuring an appropriate focus on I&D.
- Succession planning for all board and board committee roles.
- Oversight of the appointment and induction process for board candidates.
- Selecting the external firm, the approach and coordination of the annual board evaluation review.
- Review of the Board Conflicts of Interest Policy, including monitoring any potential, perceived or actual conflicts of interest.
- Ongoing assessment of the independence, additional external appointments and time commitment of NEDs.
- Oversight of the Society's governance structure and practices to ensure compliance with the UK Corporate Governance Code (the Code) and best practice, in so far as it is relevant to a building society.

Board composition and succession planning

The Committee is accountable to the board for ensuring the board and its committees consist of directors with the appropriate balance of skills, experience, background and opinions, to fully discharge their duties in a highly effective manner. The Committee is also responsible for setting and agreeing the diversity targets at board level and approving the Board Diversity Statement on an annual basis.

In order to discharge its role, the Committee is required to consider succession planning, for NEDs, executive directors and the board committees with a forward-looking lens of up to 18 months ahead to ensure there are no gaps in expertise, skills and experience.

The Committee makes recommendations to the board on all these matters, as well as providing oversight of succession plans for the SLT. This aids forward planning, promotes the continual refresh of skills and experience on the board and, together with the composition review, provides insight and direction into the search process for new NEDs. The Committee is required to review the leadership needs of the organisation at regular intervals and ensure the development of a diverse pipeline for succession. This enables the Society to continue to operate effectively and ensure its long-term success.

Board committee composition is a standing agenda item and is considered at every meeting. The Committee receives a schedule of board members which highlights when each board member is within 18 months of their three, six or nine-year anniversary. Appointments beyond each anniversary are considered closely by the Committee in terms of performance, independence, time commitment to other roles and ongoing training, before being submitted to the board for approval.

The Committee also reviews composition to ensure they comprise a sufficient number of executive and NEDs, who meet the requirements as set out by the Code and the Senior Managers Regime (which sets out the expectations of the Society's regulators on accountability and governance). As part of this review, the current mix of directors' skills, experience, backgrounds and qualifications is reviewed through the completion of a skills matrix. This is considered alongside the current composition of the board and the board tenure plan, to aid a discussion about the board's succession planning requirements.

Appointment of a new Chair

As noted in the introduction, one of the Committee's priorities in 2024 was the recruitment for the role of Chair following my announcement to stand down in 2025. In the first half of 2024, the senior independent director led several planning meetings without me present, to discuss succession planning.

Having considered several executive recruitment agencies, the sub-group agreed to engage the services of Warren Partners to assist with the search for a suitable candidate and to provide a shortlist of diverse candidates. Following several interviews, it was agreed that Brendan had been successful and was the best candidate for the role. In May 2024, the Committee recommended his appointment to the board as a NED. Subsequently and following a successful induction period, the board further confirmed its approval to appoint Brendan as Chair from 1 March 2025, subject to regulatory approval.

Following the appointment of Brendan, consideration was given as to which committees best suited his experience and knowledge, alongside future succession plans for each committee and with a view to his appointment as Chair in 2025. After consideration and approval from the board, it was agreed that Brendan would join the BRC, Remuneration Committee* and Nominations Committee, the latter of which he will become Chair from March 2025. Brendan will step down as a member of the BRC on or before his appointment as Chair, although he will continue to attend the Committee.

Succession planning for Gareth Hoskin

Succession planning for Gareth Hoskin was also considered in light of his planned departure from the board in March 2025. It was agreed that Farah Buckley would replace Gareth as Chair of Audit Committee. Farah has extensive accountancy experience within the financial services industry and has been a member of the Audit Committee since joining the Society in 2023. Farah has worked closely with Gareth to ensure there is a detailed handover process and has also met regularly with colleagues from Finance and Internal Audit, as well as with the external audit partner.

In addition, it was agreed that Annette Barnes would replace Gareth as the senior independent director. Annette has been actively involved in recent board composition and board effectiveness activity alongside Gareth. She has also been the senior independent director at GlobalData plc for three years and therefore has relevant experience of the role and responsibilities involved.

It was also agreed that Pam Rowland would replace Annette as the Colleague Engagement Champion and would also become a member of the Audit Committee following the departure of both Iain and Gareth.

Board re-appointments

The Committee is responsible for reviewing the re-appointment of all NEDs at the end of each three-year term. NEDs are usually expected to serve a minimum of two terms. These terms are subject to ongoing performance evaluations and annual re-election by members at the AGM. NEDs may also be proposed for a third term, up to a maximum of a further three years (nine years in total but can be longer in very limited circumstances). On re-appointment, a refresher training programme, informed by their performance evaluation and the future requirement of the role, is provided to each NED as appropriate.

During the year, the Committee proposed, and the board subsequently agreed, the following term extensions:

Name of non-executive	Anniversary	Agreed term extension
Gareth Hoskin	9 years	Until the end of March 2025
Anita Tadayon	3 years	6 years
Annette Barnes	6 years	9 years
Iain Cornish	6 years	Until the end of February 2025

The Committee reaffirmed its decision that Gareth Hoskin's appointment should be extended into March 2025, in order to provide oversight of the year-end process at Audit Committee and the external audit transition from Deloitte LLP to Ernst & Young LLP. Gareth reached his nine-year tenure with the Society in November 2024.

* Due to start during 2025.

Senior leadership team

In 2024, the approach and activities for talent succession for the SLT were reviewed to ensure they support developing a more diverse pipeline and achieving the Society's growth ambitions. This work continues in 2025.

Other key activities in 2024

Board effectiveness

In April and July, the Committee received detailed updates and approved the proposed approach to the board evaluation process. A number of external facilitators had been shortlisted to support the process, and it was concluded to engage Board Alchemy, a company with which the Society has no prior connection or conflict of interest. The Committee agreed that the external facilitators would be invited to attend the September board meeting to conduct their review, as well as attending a BRC meeting and interviews with board stakeholders, such as the external auditor, Secretary and chief officers. The Committee agreed that the incoming Chair would be included within the review process as this would assist with their transition to becoming Chair and could be aligned to the induction plan.

More information on the approach and outcome of the 2024 board evaluation is included in the Corporate Governance Report on pages 115 to 116.

The Leeds NED network

The Leeds NED network was established in 2021 and is a network for potential NEDs with the objective of establishing relationships with potential candidates for the future. The network aims to provide practical support to aid the attendees in securing a non-executive role. The focus is on the transition from being an executive director to a non-executive and to share the inner workings of a board. Three meetings were held in 2024 where a wide range of topics were discussed. The Chair, CEO and several NEDs hosted and attended the meetings and provided attendees with examples of topics discussed at the Society's board meetings. They shared examples of how challenge was presented and explained interactions between NEDs and management. The sessions sought to provide practical insight into what it means to be an NED and what the expectations are of the role.

In July, the Committee discussed the future of the network and the pros and cons of face-to-face versus virtual meetings. It was agreed that the scope of the network be widened to include internal colleagues and those from non-financial services backgrounds. It was also noted that a combination of face-to-face and virtual meetings should continue to be used, with the former being both in Leeds and London to ensure we engage with and attract diverse participants. The meetings held in 2024 covered the following themes:

- Exploring the transition from executive director to NED.
- Helping boards be more effective (whilst an executive).
- The ins and outs of the role of the senior independent director.

Board skills matrix review

The Committee has a detailed skills matrix for the board, which indicates the level of skills and experience required to deliver our strategy and to effectively support the business over our strategy horizon. The range of skills within the matrix reflects the complexity of executive and NED roles, as well as the responsibilities and governance requirements of the regulatory regime. The Committee conducts a full review of the skills matrix each year, the outputs of which help to determine gaps and priorities for succession planning.

In 2024, the skills matrix, with an added focus on soft skills, was used alongside the board effectiveness review outputs. It continues to be a valuable document which generates and aids discussions regarding: (a) existing skills and experience; (b) current and future gaps; (c) mitigants to those gaps; and (d) broader training requirements.

The 2024 review concluded there were no immediate skills gaps but in light of the composition changes explained earlier in this report, the Committee will continue to review this in 2025.

Annual review of the NED Competency Framework and appraisal process

The Committee assessed the annual review process, noting it had been updated and streamlined to align with the NED Competency Framework in 2023. It was agreed that the Chair would continue to conduct the annual appraisal meetings as normal, and the incoming Chair would also arrange meetings with each board member to aid his induction and transition to being Chair. The Committee concluded it was satisfied with the current approach and agreed it was proportionate.

Review of independence and conflicts of interest
During the year, the independence of all NEDs was assessed against the criteria set out in the Code and their length of service. The Committee simultaneously considered potential conflicts of interest by undertaking a review of the Board Conflicts of Interest Register, alongside the external appointments and time commitments held by each director.

Gareth Hoskin's independence was also considered in light of his term extension beyond his nine-year tenure. It was agreed that he would continue to be considered as independent given the extension was only for a short period and that he continued to demonstrate an appropriate level of challenge and scrutiny to all discussions. The Committee concluded that all other directors, with the exception of David Fisher, remained independent and that all external appointments remained appropriate.

As reported last year, David Fisher's appointment was extended in 2023 for up to three years as a non-independent NED. David's experience and knowledge of the business continues to be extremely valuable to the board and it was agreed that his appointment would provide continuity and additional strength whilst succession plans for the board are underway and being embedded.

Further details on the 2024 review process, conflicts of interest, external directorships and the associated time commitments are contained within the Corporate Governance Report.

Governance
Whilst not mandatory, the Committee is responsible for ensuring the board meets the principles and provisions of the Code and regulatory sourcebooks relevant to the remit of the Committee – specifically those regarding conduct, accountability and management arrangements.

In 2024, following a review of compliance against the existing version of the Code, the Committee received an update to confirm the Society complies with the Code, insofar as it is possible for a building society, with no further actions required. A review of the 2024 Code was also received by the committee outlining updates and a small number of actions, in readiness for when it becomes effective in 2025.

Throughout the year, the Committee also reviewed the responsibilities of the Chair, CEO and senior independent director and agreed the division of responsibilities remained appropriate and aligned to the requirements of the Code.

Inclusion and diversity
The Committee is responsible for ensuring the composition of the board and the SLT is inclusive and diverse. Reflecting the Society's strategic ambition, which is to be an organisation where we harness inclusive practices, so that all colleagues are valued and included for who they are and the unique perspectives they bring. We view diversity as something that is multi-faceted and goes beyond what you can see. Within the boardroom the focus has been on optimising the cognitive diversity that the lived experiences of individual members collectively bring to the board. We recognise that all differences bring benefits – particularly in decision-making, where varying viewpoints can add real value.

In 2024, the Committee reviewed and approved the board Inclusion and Diversity Statement without any material changes. It also reviewed the progress towards the I&D strategy. The Society's statement on I&D is available on the Society's website at **leedsbuildingsociety.co.uk/your-society/financial-information/diversity**.

As part of the strategic review, it was agreed that the targets set for 2030 remain appropriate and positive progress is being made. From a leadership perspective, we are currently tracking behind our 2030 target for both gender and ethnicity. The numbers of colleagues within these populations are small (which means any shifts in this group can have a significant impact on our target performance). We are committed to our 2030 targets and have discussed with our ExCo the actions we need to take to ensure positive progress. This will include a deeper review into our internal development practices, with a view to ensuring strong internal diverse pipelines, as we know relying on external recruitment alone will not enable the delivery of our ambitions.

The table below sets out the Society's progress against the 2030 targets for gender and ethnicity representation on the board and in the leadership team, as at 31 December 2024.

Element	Actual position at 31 December 2024	Target for 2030
Board* gender diversity	31%	30% minimum
Board* ethnic minority representation	2 members	1 or more members
Female representation at leadership level**	33%	45%
Ethnic minority representation at leadership level**	6%	10%

Further information can be found on our website and more information on gender pay and the activities undertaken to measure our inclusivity and promote wider diversity can be found in the Strategic Report on pages 16 to 17 and in our Impact Report.

Looking forward to 2025

In 2025, the Committee will continue to focus on ensuring a smooth transition of the board role changes as outlined in this report and the appointment of Brendan as the new Chair of the board and the Nominations Committee, when I step down at the end of February.

The output from the board effectiveness review will also continue to be a regular area of discussion at board meetings and will be used as a catalyst for further work on how the board optimises their cognitive diversity to raise its effectiveness even further.

Iain Cornish
Chair of Nominations Committee

27 February 2025

* Including non-executive and executive directors
** Excluding executive directors

Audit Committee Report

Year ended 31 December 2024

Audit Committee highlights from 2024

- Provided oversight of the Society's relationship with the new external auditor.
- Annual Report and Accounts recommended to the board for approval.
- Integrated assurance continues to demonstrate our control environment is effective and proportionate.
- Internal Audit's review of the Society's culture was completed.

Committee membership during 2024

- Gareth Hoskin (Chair) – member since January 2016.
- Neil Fuller – member since January 2021.
- Farah Buckley – member since April 2023.

Number of meetings and attendance

- Six meetings during the year with 100% attendance from committee members.
- Meetings regularly attended by other board members including the Chair, CEO and CFO. The chief internal auditor, representatives of the Finance and Risk Divisions and other relevant business areas, plus senior external audit personnel also attend regularly.
- Two private meetings with the external auditor and two with the chief internal auditor, not attended by management.

Introduction from the Chair

I am pleased to present my report on the work of the Society's Audit Committee in relation to the financial year ended 31 December 2024.

The Committee comprises solely of NEDs so that it is independent of executive management. The Committee acts with authority delegated to it by the board and reports directly to the board. All members of the Committee have recent and relevant financial services experience and competence in accounting, finance or risk management.

Our core responsibilities relate to the following four areas:

1. Appropriateness and integrity of our **external financial reporting**
2. Adequacy and effectiveness of our **systems of internal control** and risk management
3. Effectiveness, performance and independence of the **Internal Audit** function
4. Independence, performance and objectivity of the **external auditor**

In 2024, the economic environment in the UK has remained challenging and uncertain. Although the rate of inflation reduced and interest rates began to fall, the pressure on household budgets remained intense. The knock-on impacts to the mortgage and savings markets of this uncertainty have presented challenges to the Society which are reflected in the work of the Committee.

In particular, the challenging economic conditions mean that greater reliance is placed on management judgement in certain areas of financial reporting and committee members have spent considerable time reviewing and challenging these judgements for both the Interim Financial Report and the Annual Report and Accounts.

It is vital that our internal control and risk management systems continue to operate effectively to protect the business and our members in these uncertain times, and all three lines of defence have focused on maintaining a strong control environment. I am pleased that the Committee has been able to conclude that the control environment remains effective and proportionate to our operations.

The Internal Audit function continues to provide an effective and independent third line of defence. Internal Audit's regular updates to the Committee have generated significant discussion and challenge, so that Committee members could be satisfied that their work was focused on the most appropriate areas of risk throughout the year.

Succession planning for the next Chair of the Audit Committee was considered following my planned departure from the board in March 2025. It was agreed that Farah Buckley would be appointed as Chair of the Audit Committee. Farah has extensive accountancy experience within the financial services industry and has been a member of the committee since joining the Society in 2023. I have worked closely with Farah to ensure there has been a detailed handover process and Farah has also met regularly with colleagues from Finance and Internal Audit, as well as with the external audit partner.

Gareth Hoskin
Chair of Audit Committee

27 February 2025

What the Audit Committee did during 2024

External financial reporting

The Committee reviewed the Society's Interim Financial Report, published in July, and its Annual Report and Accounts, on behalf of the board. Following detailed discussions and challenge of management, we were able to recommend these to the board for approval. All board members either attended the Committee meetings where the final financial statements were reviewed or received an individual briefing from the Audit Committee Chair, so that all directors were aware of the matters discussed and the challenges raised with management.

The Committee also provides oversight of the Society's regulatory reporting and Pillar 3 disclosures. We considered material overarching judgements applied by management in the preparation of these reports and approved the governance arrangements around their production, noting the assurance provided by the second line Risk Division.

Preparation of the financial statements requires management to adopt certain accounting policies as appropriate for the business and to make judgements, estimates and assumptions. Further details of the work undertaken to examine and challenge the most significant areas are set out in the table overleaf, with additional information in note 2 of the accounts. Having considered and challenged management and the external auditor's reports on the approaches adopted, we were able to conclude that they were appropriate.

The board has also asked the Committee to confirm that the Annual Report and Accounts, as a whole, presents a fair, balanced and understandable view of the Society's position and prospects. In assessing this, we considered the process for the production, review and challenge of the report and whether this would result in a balanced and consistent report.

We read the narrative sections of the report, considering whether the content was consistent with our knowledge and understanding of the business and the wider environment, as well as other information provided to the board throughout the year.

Area of focus	How the committee responded
Residential impairment loss provisions Under IFRS 9, we are required to hold impairment loss provisions against our financial assets, calculated on an ECL basis. For residential mortgages, these provisions are calculated using complex statistical models which incorporate historical default and loss experience information. Significant judgement and estimation is required in determining whether there has been a significant increase in credit risk, in setting forward-looking economic scenarios and the probability weighting of those scenarios. Management judgement is also required on the nature and size of post model adjustments (PMAs) where risks are identified that are not sufficiently covered by the modelled provisions and scenarios. Further details of the estimates and judgements used are set out on pages 176 to 184.	We were supported in our assessment of residential impairment loss provisions by the MRSC, which reviewed any model changes during the financial year, and Credit Committee, which approved the approach to the non UK loan portfolio and provided preliminary approval of the final provisions, including PMAs. Despite evidence of a modest improvement in economic conditions during 2024, the external environment remains uncertain, which has provided a challenge when selecting appropriate economic scenarios for provisioning. Management's proposed scenarios and weightings were initially reviewed and refined by the Balance Sheet Optimisation Group before being presented to the Committee for feedback ahead of reporting dates. To support the Committee's review of the assumptions, management provided benchmarking information and comparison to external third-party forecasts. We also noted the challenge to specific assumptions provided by the external auditor and management's response to this. As in the previous year, the potential impacts of inflationary pressures on mortgage affordability have required additional consideration. In November, management provided us with details of the multiple considerations, including internal and external benchmarking, being used to assess the affordability impacts on provision levels. We provided feedback on management's approach to be incorporated into the final calculations. We discussed with management the extent to which the increase in purposeful higher LTV and LTI lending, assessed using lower stress rates since regulatory changes in October 2022, was reflected in the existing model outputs. Management proposed an additional PMA, which addressed two different elements of model risk that arise because the models were not developed using data from mortgages underwritten under these conditions. We challenged management's assumptions and concluded that the PMA appropriately captured risk that wasn't fully reflected in the existing models. The Audit Committee noted that this additional PMA is temporary and the related risks will be captured within the ECL models by 31 December 2025. In January 2025, management reported to us their final proposed provisions, including PMAs. These were supported by key metrics such as coverage rates and proportions of loans in Stages 2 and 3, benchmarking data and sensitivity analysis. The Committee assessed the work performed and asked questions on the approach taken, with the main focus on the range and sensitivities of the PMAs due to the level of inherent uncertainty. Having considered management's reports, the assurance from other committees and feedback from the external auditor, we concluded that the impairment models remain appropriate, the assumptions used are reasonable and that the PMAs at the 2024 year end are appropriate in the circumstances. Therefore, the Committee concluded that the level of impairment provisions at 31 December 2024 is reasonable.

Area of focus	How the committee responded
Fair value of the collateral loan which represents a pool of equity release mortgages We hold a collateral loan to a third party which represents a pool of equity release mortgages acquired from that third party, which is measured at fair value through profit or loss. Since open market prices are not readily available, the fair value of this loan is calculated using a model which requires a combination of market data and unobservable inputs. The key estimates and sensitivities are shown on page 183 to 184.	The model used by management to calculate the fair value of the collateral loan was reviewed by our second line Risk Division during the year under our model risk governance overseen by MRSC. The model was assessed as being fit for purpose. The assumptions used in the model are primarily evidence based, using historic data on the performance of the underlying mortgages or external market data. However, a significant level of judgement is required in selecting the discount rate to be used and management refresh their calculation at the end of each reporting period so that the rate applied is aligned to the current interest rate and economic environment. Management explained the assumptions used, the judgements applied in deriving these for the interim and year end accounts and the sensitivity of the model output to changes in these assumptions. We probed the approach taken and questioned management on the magnitude of the changes in assumptions. We also asked management to set out the rationale to justify the overall movement in fair value for the year, noting the interaction with the fair values of the associated derivatives. We received and discussed this information at the January 2025 meeting. Since there is no directly comparable market data available and a significant level of judgement is required in the valuation, a wide range of valuations could be considered reasonable. Taking into consideration management's explanations, the sensitivity analysis provided and the views of the external auditor, the Committee concluded that the fair value recorded in the financial statements for the collateral loan was within a reasonable range.
Fair value of the RPI linked derivative hedging the collateral loan (equity release swap) We hold derivative financial instruments to mitigate risks from movements in market rates. The valuation of the RPI linked derivative hedging the collateral loan requires management judgement in the modelling approach and assumptions used.	The RPI linked derivative is valued using a discounted cash flow model which is governed by the Society's model risk policy. The majority of the assumptions in the model are derived from market observable data, with the only significant unobservable input being the profile of the swap balance. Since this is a 'balance guaranteed' swap, this is assumed to match the modelled profile of the underlying equity release mortgages. Having considered management's valuation, the rationale supporting this and the results of the external auditor's independent testing, the Committee concluded that the valuation of the derivative in the accounts is appropriate.

Area of focus	How the committee responded
Hedge accounting Changes in the fair value of derivatives are recognised in the Income Statement immediately. However, if strict accounting criteria are met, these instruments may be designated in accounting hedge relationships.	Management continues to apply the hedge accounting rules of IAS 39 for macro fair value hedges. From 1 January 2024, management chose to apply the hedge accounting requirements of IFRS 9 for micro fair value hedges and the macro cash flow hedge. The Committee was provided with the rationale for the transition from IAS 39 and was satisfied that the change in accounting policy was appropriate. The Committee was provided with regular updates through the year on the hedge relationships in place and the results of effectiveness testing which showed all hedges remained effective throughout the year. The nature of hedge accounting means that the external auditor performs detailed substantive testing of management's results, including reperformance of hedge effectiveness testing and derivative valuation. We noted the results of this testing which did not reveal any material errors. The Committee therefore satisfied itself that hedge accounting has been appropriately applied and that management's hedge effectiveness testing performed throughout the year was materially appropriate. The Committee concluded that amounts recognised in the financial statements are fairly stated and that appropriate disclosures have been made.
Going concern assessment and Viability Statement The directors are required to prepare the financial statements on a going concern basis, unless they consider that it is inappropriate to presume that the Society will continue in business for the next 12 months. The board is also required to provide a statement on the longer term viability of the Society. These assessments have been delegated to the Audit Committee.	Management provided the Committee with reports to support the going concern assumption for the Interim Financial Report and Annual Report and Accounts. Those reports drew on MI used by the business to forecast and monitor key factors including profitability, liquidity, capital and operations. No matters were identified that would indicate that the Society would not be able to continue to operate over the period of assessment, even in the event of an economic downturn or adverse stress. In order to support the directors' conclusions on viability, management provided a report to the BRC reviewing principal and emerging risks. This report set out details of the stress testing undertaken in respect of those risks, including the ICAAP, ILAAP, recovery plan and reverse stress testing. Having considered the outcome of this review and other evidence presented to the Committee through the year in relation to our risk management processes, including the annual reports produced by the second and third lines of defence, the Committee was also satisfied that the Viability Statement is appropriate.

Systems of internal control

Maintaining effective systems of internal control is crucial for the Society to be able to deliver our purpose and to safeguard our members' money and our own assets. We operate an ERMF, which is designed to encourage a culture of sound risk management and internal control. This is overseen by the BRC and delivered through established governance mechanisms and a three lines of defence assurance model. Further details on the ERMF can be found on pages 41 to 44.

The Audit Committee is responsible for reviewing the adequacy and effectiveness of these controls and risk management systems and we are supported by all three lines of defence, as part of an integrated assurance model, in order to carry out our duties as set out overleaf.

First line management

- Responsible for design, documentation, operation and monitoring of internal controls.
- Six monthly assessment of design and effectiveness of controls through RCSA.
- Regular scheduled testing of critical controls.
- Report to the Committee on request where specific matters of concern raised by second or third line.

Second line Risk Division

- Risk-based reviews of specific processes and functions.
- Oversight and review of risk registers and RCSA process; report to Audit Committee on outcome of RCSA.
- Review results of management's critical control testing.
- Annual report to the committee on enterprise wide view of risks and controls.

Third line Internal Audit

- Independent, risk-based assessments of effectiveness and adequacy of controls in specific areas of business.
- Cyclical independent testing of critical controls, aiming to cover each control at least once every three years.
- Report to the Committee summarising findings from each review and tracking of actions.
- Annual summary to the Committee of observations and themes in relation to control environment.

The Committee reviewed and approved the 2024 work plan for the second line prudential risk and compliance monitoring teams and the Internal Audit plan, which is refreshed on a quarterly basis to allow a focus on the most important areas at a particular time and takes into account reviews undertaken by the second line as part of an integrated assurance model.

The annual report from the Risk Division showed that our control environment is effective and proportionate to our operations. Identified control weaknesses are being adequately addressed by management, with ongoing remedial actions. A particular focus from Risk during the year has been balancing business as usual risks with the risks that arise from a major multi-year technology transformation programme whilst ensuring that the programme delivers appropriate compliance with our internal policies.

Internal Audit concluded that the Society's Risk And Control Framework is mostly adequately designed and operating effectively, with some areas for improvement. Overall, it did not find any control weaknesses likely to be material to the financial statements based on the assurance work delivered.

The external auditor also assesses the design and effectiveness of certain financial reporting, operational and IT controls as part of its procedures to reach an audit opinion on the Annual Report and Accounts. The auditor reported its findings to the Committee and no material issues were raised in this report.

Overall, based on this year's review and the evidence provided by all three lines of defence, the Committee concluded that the Society has adequate and effective systems of control and risk management in place, which has allowed risks to be appropriately identified and managed.

Internal Audit

Internal Audit plays a vital role in the ERMF because it acts independently of the rest of the business to provide a reliable third line of defence. The board has delegated the role of overseeing the effectiveness, performance and independence of the Internal Audit function to the Audit Committee. The chief internal auditor reports directly to the Chair of the Audit Committee to maintain their independence from executive management. We approved the Internal Audit Charter and ToR which detail the scope, purpose, authority and responsibilities of the function, noting that these have been updated in January 2025 to reflect the expectations of the new Global Internal Audit Standards. I also reviewed the chief internal auditor's objectives for the year. Internal Audit provides an annual declaration of independence, which confirmed that there was no impairment of its independence.

Internal Audit provides regular reports to the Committee setting out progress against the plan of work and the latest plan for upcoming reviews, together with updates on resourcing and performance metrics. We assessed the coverage provided by the audit plan and the effectiveness of delivery and debated any challenges arising with the chief internal auditor. We probed on the use of external insight to inform the Internal Audit plan and discussed the approach to prioritising risk areas in the quarterly refresh of the plan. We also challenged the approach to monitoring themes arising from Internal Audit's review of the Society's culture in 2024. Updates on Internal Audit coverage of the Core Systems Replacement programme were provided directly to the board during the year to avoid duplication of reporting, although we continued to receive and review the outputs of Internal Audit's work supporting integrated assurance on the programme, and regularly discussed the appropriateness of Internal Audit resource allocated to oversight of the programme. We received the results of Internal Audit's cyclical testing of critical controls and noted improvements recommended by Internal Audit to the documentation and evidence of first line control testing.

Following the introduction of Internal Audit's 2024-26 Vision in February 2024, we have received half-yearly updates on Internal Audit's progress with implementing the Vision, and with delivery of improvements set out in the underpinning 'roadmap' for continuous improvement. We confirmed that, alongside implementation of the Vision, Internal Audit would continue to be focused upon high quality assurance on key risks.

During the year, Internal Audit performed a self-assessment against new Global Internal Audit Standards which came into effect on 9 January 2025, and the UK Institute of Internal Auditors' new Code of Practice. We reviewed Internal Audit's assessment and discussed their proposed changes to address the new expectations. In January 2025 we also reviewed the results of the Internal Audit Quality Assurance and Improvement programme for 2024, which summarised quality assurance activities including confirming that actions had been completed to address the two observations in the External Quality Assessment that we received in February 2024.

Based on work throughout the year, the Audit Committee is satisfied that Internal Audit had sufficient resources with the appropriate skills, competencies and qualifications to deliver appropriate coverage of the Society's risk areas. We are pleased to note that the Internal Audit function is independent, effective and compliant with applicable standards.

External auditor

The Committee is responsible for overseeing the Society's relationship with the external auditor so that the auditor remains independent and effective.

Ernst & Young LLP were appointed as the Society's external auditor in 2024 following a competitive audit tender process in 2022. The current audit engagement partner is Steven Robb. During 2024, the Audit Committee provided close oversight of the transition of the external auditor from Deloitte LLP to Ernst & Young LLP.

During the 2024 financial year, the external auditor provided the Committee with an audit planning document for review and challenge, setting out the scope, materiality, coverage and timing of the audit work and the qualification and expertise of the audit engagement partner and key members of the audit team. We evaluated the significant risks identified by the auditor against management's assessment of the significant areas of judgement and risks. We also reviewed and approved the auditor's engagement letter and fees.

The external auditor provided us with regular reports on the progress of its work throughout the audit cycle and the areas in which it has challenged management. We discussed these reports during committee meetings with management present and in private sessions with the external auditor. We challenged them on the timing of certain aspects of their work so that potential issues in complex areas of accounting could be identified early and resolved well ahead of the accounts signing.

The Committee is responsible for the annual review and approval of our policy on non-audit services, including the employment of former partners or staff of the external auditor. The external auditor undertook a number of non-audit assignments during the year, including review of the Interim Financial Report and verification of the Group's interim net profit. These assignments were conducted in compliance with the approved policy and occur typically where it is either mandatory or more efficient for the external auditor to perform the work, in light of the information previously reviewed during the audit engagement. Total non-audit fees for work undertaken in 2024, including one off items, represented 12% of the audit fees for the year.

The Committee satisfied itself that the external auditor is effective and independent.

Other matters

Whistleblowing
The Society's whistleblowing policy is known internally as the Speak Up Standard. Although whistleblowing is a matter reserved for the board, the Chair of the Audit Committee is the Society's Whistleblowers' Champion and the Committee reviews our policy on behalf of the board and recommends it for approval.

The Committee received an annual report from management on the number and nature of reports submitted and the extent of training and communication to colleagues. The report noted that our approach is fully compliant with regulatory requirements and that there is good awareness amongst colleagues, supported by positive responses to internal colleague survey questions. We have a strong culture where the majority of colleagues feel comfortable to speak up and where survey results identify this is not the case, action is taken to understand why.

Taxation
The Committee reviewed and approved our tax strategy and tax risk management policy. As part of the approval of the tax policy, management confirmed to us that the policy had been complied with throughout the year.

Other accounting matters
The Committee reviewed the revised valuation of the Society's Head Office building, ensuring the approach and data points used in the valuation were appropriate. In addition, the Committee reviewed the accounting for the costs of the voluntary support scheme for the members impacted by the collapse of Philip's Trust Corporation and the relevant disclosure of the scheme in the Annual Report and Accounts.

Audit Committee effectiveness

Each committee meeting concludes with a review of whether the meeting has been effective and conducted in line with the Society's behaviours. This review includes commentary from independent observers wherever possible.

The Committee also undertakes an annual self-assessment of its effectiveness, via anonymous questionnaires to all members and regular attendees at meetings. The results of the review were very positive, with anonymised verbatims commenting on the high quality of the reports and papers submitted to the Committee, and concluded that the Committee had functioned well. The review also concluded that the Chair continues to be effective, actively encouraging debate and seeking input from all committee members and attendees.

The ToR are reviewed annually and updated to align them to the latest governance requirements and best practice. The revised ToR were approved at the meeting in November 2024 and are published on our website **leedsbuildingsociety.co.uk/your-society/about-us/board-committees**.

All Committee members are required to keep their knowledge and awareness both recent and relevant. The Committee is kept up to date with changes to accounting standards and regulatory focus areas for financial reporting through reports and training from management and the external auditor. Separate training materials are also provided where particular topics of relevance are identified by members or attendees. During 2024, additional training topics included: economic and accounting updates together with credit and market risk insights to inform the annual and interim approvals of the Society's financial statements; fair value and effective interest rate (EIR) accounting; and regulatory reporting.

The year ahead
Farah Buckley will become the Chair of Audit Committee on 1 April 2025. As the Chair role is an accountable role in the Senior Manager function regime a formally documented handover of duties, responsibilities and accountabilities will be completed between the outgoing and incoming Chair to comply with regulatory requirements. This handover has been in progress throughout 2024 and will be completed in advance of Farah's formal appointment.

Another key focus for 2025 will be to ensure that control frameworks and relevant processes are aligned to the updated requirements of the Code of Practice.

Board Risk Committee Report

Year ended 31 December 2024

Board Risk Committee highlights from 2024

- Close monitoring of the Society's emerging risk profile in the context of heightened external volatility to assess and manage the impacts on the Society's principal risks.
- Review of the inaugural Annual Consumer Duty Assessment.
- Monitoring of risks associated with the Society's multi-year IT change programme, in conjunction with the board.

Committee membership during 2024

- Neil Fuller (Chair) – Chair since January 2022.
- Gareth Hoskin – member since November 2015.
- Annette Barnes – member since February 2019.
- Anita Tadayon – member since October 2021.
- Farah Buckley – member since April 2023.
- Pam Rowland – member since May 2023.
- Brendan McCafferty – member since September 2024.

Number of meetings and attendance

- Seven meetings held during the year; and
- 98% attendance from Committee members (the attendance record of Committee members is set out on page 107).

Introduction from the Chair

I am pleased to present the Board Risk Committee's report for the year ended 31 December 2024.

This report outlines the operations of the Committee and how it has fulfilled its role overseeing and advising the board in relation to current and potential future risk exposures and overseeing the effectiveness of risk management frameworks.

During the year, the Committee considered the current and emerging risk profile of the Society against a backdrop of ongoing geopolitical, economic and financial market uncertainty. Particular focus has been given to monitoring the performance of the Society's credit portfolios in the context of prevailing operating conditions and to balance sheet structure in light of financial market volatility.

From a non-financial risk perspective, the Committee has continued to challenge and closely monitor: embedding of new frameworks across the organisation to support good customer outcomes; risks associated with the Society's multi-year IT change programme, model risk management, operational resilience and the Society's financial crime control environment and response to new APP rules.

I would like to thank fellow Committee members for their valued contributions throughout the year. I would also like to take this opportunity to welcome Brendan McCafferty, who was appointed as a member of the Committee with effect from 1 September 2024. Brendan has extensive experience in financial services, including having worked as CEO for AXA Insurance.

Committee operations

The key purpose of the Committee is to assist the board in understanding and managing risk related matters.
The Committee is responsible for:

- Overseeing the development and effective implementation of the ERMF.
- Reviewing and recommending risk appetite to the board and monitoring the Society's risk profile within these parameters.

- Identifying and monitoring the profile of current and emerging risks, including those that may threaten the Society's business model, future performance, solvency or liquidity, or increase the potential for customer harm, and ensuring that these are appropriately mitigated.
- Promoting a risk aware culture within the Society.
- Reviewing and recommending to the board the outputs of key prudential processes (ILAAP, ICAAP, Recovery Plan and Resolvability Assessment), operational resilience assessments and annual assessment of good customer outcomes.
- Ensuring remuneration arrangements reflect appropriate and balanced risk management considerations; and
- Overseeing the activities of supporting Executive Risk Committees.

A full set of duties are outlined within the Committee's ToR. A copy of this document can be found on our website: **leedsbuildingsociety.co.uk/your-society/about-us/board-committees**.

During 2024, the Committee comprised of seven members, all of whom were independent NEDs. Full biographies and experience of Committee members are set out on pages 91 to 97 within the Governance Report.

At the invitation of the Committee, meetings held in 2024 were also attended by the Chair of the board, a non-independent NED and relevant members of the Executive and SLT, ensuring that the three lines of defence were represented.

During the year the Committee met seven times. At the beginning of each quarterly meeting the CRO provided an update to the Committee regarding the Society's current and emerging risk profile. A summary of the supporting Executive Risk Committees was also provided by their respective Chairs through MI to ensure effective oversight of their activities.

To support the Committee's oversight of key and emerging risks, the Committee receives training from internal and external subject matter experts on a regular basis. During 2024, the Committee received training on the UK economic/credit environment, interest rate risk and competition risk.

The Committee is required to conduct a self-assessment of its effectiveness on an annual basis. The 2024 review was performed using anonymous questionnaires and was completed by Committee members and regular attendees. The review concluded that the Committee was operating effectively, in accordance with its ToR, with a small number of minor development areas identified, which will be addressed in 2025.

In addition, the Committee's effectiveness was also considered as part of a wider board governance review by an external party. This review also concluded that the Committee was operating effectively.

Matters considered by the Committee in 2024

The Committee had a balanced agenda in 2024, combining challenge and oversight of the Society's current risk profile with assessment of emerging risks. A summary of the key matters considered by the Committee during 2024 is set out below.

Enterprise risk (including strategic/business risk)

- **Risk appetite –** the Committee reviewed the Society's risk appetite statements and metrics ahead of the 2025 Corporate Plan, to ensure they remained fit for purpose, reflective of prevailing operating conditions, and ensured that the corporate plan was within risk appetite. Consideration has also been given by the Committee to greater use of the Society's risk appetite to support delivery of its purpose.
- **ERMF –** the Committee approved recommendations from an external review of the Society's ERMF to ensure that our risk management practices remain appropriate.
- **Climate risk –** the Committee received an updated assessment regarding the impacts of risks associated with climate change.
- **Emerging external risks –** the Committee received an update of the Society's evolving operating environment at each meeting and the associated management response.
- **Remuneration –** the Committee considered potential performance/risk adjustment to senior management variable remuneration, with recommendations provided to the Remuneration Committee.

Prudential risk (credit, funding and liquidity, market, capital and model risks)

- **Credit risk –** during the year the Committee closely monitored the performance of the Society's lending portfolio, in the context of the cost of living challenges, house price expectations and a higher interest rate environment. Alongside this, the Committee kept appetite and policies under continuous review to ensure that they remained appropriate for the prevailing operating environment.

- **Financial risk** – the Committee oversaw the Society's response to emerging financial risks (including interest rate risk, funding and liquidity risk and wholesale credit risk), driven by volatility in financial markets and geopolitical risks. The Committee also considered the potential capital impacts of the near-finalised Basel 3.1 regulatory reforms following their publication.
- **Prudential assessments** – the Committee conducted an annual review of the Society's ICAAP, ILAAP, Resolvability Assessment Framework and Recovery Plan prior to approval by the board.
- **Financial risk policies** – the Committee reviewed several key internal policies that govern management of financial risk, including Lending, Funding and Liquidity, Market and Wholesale Credit risk.
- **Model risk** – the Committee reviewed the Society's response to PRA SS1/23: Model Risk Management Principles for Banks. This included review and approval of an enhanced Model Risk Management Framework, including Model Risk Policy, Materiality Framework, model risk appetite and monitoring approach. The Committee has also received periodic updates regarding the submission of the Society's revised IRB models to the PRA.

Operational and conduct risk

- **Operational resilience impact tolerances** – the Committee reviewed and reaffirmed the Society's operational resilience impact tolerances for key business services.
- **Cyber risk** – the Committee reviewed periodic updates on material cyber risks and received a progress update on the Society's Cyber Strategy.
- **Financial crime** – the Committee received the annual MLRO report and other financial crime updates on a periodic basis.
- **Data protection** – the Committee received the annual Data Protection Officer's Report.
- **Outsourcing** – the Committee received updates on emerging third-party outsourcing risks and reviewed risk assessment outputs for several new material suppliers.
- **Change risk** – the Committee reviewed the risk profile associated with the Society's IT change program.
- **Consumer Duty** – the Committee continued to oversee the Society's embedding of the FCA's Consumer Duty regulation to support good customer outcomes.
- **Philips Trust Corporation** – the Committee oversaw risks to the implementation of the Voluntary Financial Support Scheme.
- **Members in financial difficulty** – the Committee received regular updates on progress with the Society's Mortgage Support transformation programme.

Outlook

Over the next 12 months, key areas of focus for the committee in 2025 are expected to include:

- Ongoing assessment of the key emerging risks and uncertainties facing the Society, as outlined in the Risk Overview Report on Pages 41 to 44, particularly geopolitical risks, and oversight of management response plans.
- Oversight of the ongoing embedding of Consumer Duty related frameworks across the Society and the evolution of outcomes MI to further support trend analysis and decision-making.
- Close monitoring of customer outcomes for those customers in financial difficulties.
- Oversight of the risks and mitigants associated with the next phase of the Society's multi-year IT change programme.
- Overseeing the delivery of the Society's implementation plan in relation to model risk management.

I believe that the Committee remains well positioned to meet these challenges, as well as supporting the Society in the delivery of our purpose and strategy.

Neil Fuller
Chair of Board Risk Committee

27 February 2025

Directors' Remuneration Report

Year ended 31 December 2024

Remuneration Committee highlights from 2024

- Agreed company and individual senior leadership team objectives for 2024.
- Maintained vigilance on regulatory changes.
- Approved remuneration of material risk takers.
- Reviewed remuneration principles policy and remuneration standard.
- Considered matters relating to colleague remuneration and gender pay.
- Discussed and provided feedback on executive and colleague reward strategies.
- Approved 2024 bonus outturns and reviewed salaries of the executive directors.
- Approved bonus schemes for 2025 and agreed to equalise the weighting on objectives and behaviours for the senior leadership team .

Committee membership during 2024

In 2024 the committee comprised of five NEDs:

- Annette Barnes (Chair) – member since March 2021.
- Gareth Hoskin – member since January 2018.
- Iain Cornish – member since September 2023.
- Neil Fuller – member since November 2023.
- Pam Rowland – member since November 2023.

Number of meetings and attendance

- Four meetings were held during the year.
- 100% attendance from committee members.
- Other meeting attendees included David Fisher (non-independent NED), Brendan McCafferty (Chair of the board elect) the CEO, chief people officer and reward lead.

Introduction from the Chair

I am pleased to present this year's Remuneration Committee report. The report includes a summary of our Remuneration Policy, together with key decisions made in the year.

The focus of the Committee is to set our Remuneration Policy, including base pay, variable remuneration and other benefits for executive directors and Material Risk Takers. The Committee also has oversight of reward for the wider colleague population, as it relates to the broader culture of the Society.

Our members will have the opportunity to vote, on an advisory basis, on the 2024 Directors' Remuneration Report, at the AGM. There have been no changes to the Policy since the last member vote at the AGM held in 2024.

The Remuneration Policy is consistent with and promotes sound and effective risk management and ensures processes and practices do not introduce any risk of detriment to members.

The key features of the Remuneration Policy are set out in full on page 138.

As a mutual, purpose-led business, we reviewed and increased colleague salaries in April 2024, balancing the competing considerations of cost, the external market, and the persistent cost of living challenge that our colleagues continue to experience.

Whilst 2024 brought no significant changes in the regulatory landscape, we continue to monitor developments in this area, particularly ahead of 2025, where the PRA is expected to provide further detail on proposed changes to Remuneration Regulation first outlined in Q4 of 2024.

Performance and awards 2024

Earlier sections of the Annual Report and Accounts have set out how we have made strong progress, across all of our key metrics which determine our variable pay outturn.

After careful consideration, annual bonuses of between 16.31% and 17.35% (2023: 16.70% and 18.09%) have been awarded for 2024 to the executive directors, which represents between 81.56% and 86.75% (2023: 83.50% and 90.45%) of the maximum award available.

In arriving at the decision to award variable remuneration, a full risk assessment process was undertaken, during which the Remuneration Committee considered a range of factors and received input from the BRC. Following full consideration, no adjustment to variable remuneration was deemed necessary and no malus or clawback was applied.

The Remuneration Policy has operated as intended during the year.

2024 remuneration changes

In April 2024, all colleagues excluding the executive directors and SLT received a standard increase in base pay of 4.5%, with other changes to colleague pay structures resulting in an overall colleague average increase of 4.64%. The base pay increase for each executive director in 2024 was 3.5%. The Chair and NED basic fees also increased by 3.5% for 2024, in line with the minimum increase received by the executive directors and following a review of peer group and wider market data.

Looking ahead

Looking ahead to 2025, the Committee will continue to ensure that we have the right reward structures in place, to foster our mutual culture and to attract and retain the talent we will need to deliver on our purpose. Alongside this, the proposed PRA changes to Remuneration Regulation will give the Committee a range of issues to consider during 2025, to ensure that our remuneration practice remains appropriately structured and aligned with prevailing Remuneration Regulation.

In addition, we have also taken the decision to rebalance the bonus scheme constructs for executive directors and the wider SLT with effect from January 2025. This rebalancing will see objectives and behaviours now given equal weighting within the personal section of the bonus scheme, with further detail on this change provided on page 139 of the report. This change recognises the continued importance of behaviours in driving both good member outcomes and superior commercial performance at the Society, and the need for our remuneration practice to support this.

I trust this report is helpful and informative. The Remuneration Committee recommends that members vote in favour of the 2024 Directors' Remuneration Report and Remuneration Policy.

Annette Barnes
Chair of the Remuneration Committee

27 February 2025

Our Remuneration Policy and principles

The Remuneration Policy is designed to serve the interests of members and stakeholders by:

- Being clearly linked to business objectives.
- Driving behaviours consistent with our purpose, culture, values and strategy.
- Being structured to attract and retain appropriately skilled colleagues to support the Society's long-term interests and to promote a healthy culture.

All our remuneration decisions are based on:

- Objectives which ensure the security of the Society and our members through our purpose, business strategy, values and long-term interests.
- Procedures and practices that are consistent with, and promote, sound and effective risk management. They balance fixed and variable remuneration to create an acceptable relationship between risk and reward.
- Basic salary and total remuneration which are set at a competitive level to attract, retain and motivate colleagues of the required calibre.

Components of remuneration structure

Executive directors

The following table summarises the principal components of the executive directors' total remuneration and the way they operate. Details which are commercially sensitive have not been provided.

	Remuneration element	Summary
Fixed remuneration	**Basic salary**	Provides ability to attract and retain executives through market competitive rates of pay. The basic salaries of executive directors are reviewed each year, as for any other colleague, based on the economic environment, the overall financial position of the Society and in accordance with benchmarking. The only exception is if there is a material increase in scope or responsibility to the executive director's role.
	Pension	Based on membership of the Society's defined contribution section of the pension scheme. In appropriate circumstances, for example, where contributions exceed the annual or lifetime allowance, there is an option to receive a monthly cash allowance in lieu of pension contributions. Executive directors appointed before 1 April 2019 receive a range of relevant employer contributions, fully aligned with the colleague population who joined before 1 April 2019, with a maximum contribution of 20% of basic salary, based on age and pensionable service. Executive directors appointed on or after 1 April 2019 receive a maximum contribution, fully aligned with the colleague population who joined after 1 April 2019, of 10% of basic salary.
	Benefits	The principal benefits executive directors receive are: • Life assurance (up to 4x basic salary). • Private medical insurance. • Group income protection. • Health screening. • Cash health plan. Other benefits may be provided based on individual circumstances, for example, relocation.

	Remuneration element	Summary
Variable remuneration	**Annual bonus scheme**	The 20% maximum is split between: Society performance – 10%. Personal performance – 10%. Society performance objectives are agreed by the Remuneration Committee at the start of each year and reflect business priorities. Personal performance objectives, appropriate to the responsibilities of the director, are set at the start of each year and agreed by the Remuneration Committee. From 2025, 50% of the personal performance award is allocated to the demonstration of set behaviours (30% previously) which drive true differentiation, setting out the culture we wish to foster. The 20% maximum for the executive director in a control function is based on a range of personal objectives only, with 50% of the award (30% prior to 2025) allocated to the demonstration of behaviours. Robust risk evaluation measures are independently assessed by the BRC, with measures for the Deputy CEO assessed by the CEO. For executive directors designated as 'Senior Managers' under the Senior Manager Regime and over the de-minimis (1), 60% of the bonus will be deferred, over a period of seven years with no vesting until three years after the award is made. 50% of variable remuneration will be delivered in a share-like instrument (2).
	Retention awards	Such awards will only be made in exceptional circumstances. The monetary value of the award will be defined at grant, and vesting of awards will be tied to the completion of a defined period of service and the satisfactory completion of a specific project or other multi-task deliverable. Retention awards can be made in conjunction with the annual bonus, up to a maximum of 100% of fixed pay. All retention bonuses for Material Risk Takers are subject to the approval of the Remuneration Committee. Retention awards are part of variable pay and may be subject to malus and clawback, deferral and delivery in instruments, as determined by the Remuneration Committee.

Notes

1. The de-minimis limit level is set by regulation, in relation to the level of bonus deferral applied, and impacts colleagues whose variable remuneration is greater than £44,000 per annum or where variable remuneration is more than 33% of their total remuneration.
2. Where remuneration exceeds the de-minimis, 50% of the variable remuneration award will be paid in an instrument and 50% will be paid in cash. As a mutual organisation, this means that 50% of the award payable in each year will be held and retained for a further 12 months and which can be written down in value if agreed capital levels are not maintained. The instrument cannot increase in value or attract interest payments during the deferral and retention periods.

The Remuneration Committee may apply discretion at any point to reduce bonus awards in whole or part using either malus or clawback. Malus is a reduction factor which is applied to bonus payments which have not yet vested, and clawback is applied to seek recovery of bonus payments already paid.

Bonus deferral and share-like instrument

Variable remuneration is subject to regulatory deferral arrangements. For executive directors designated as 'Senior Managers' their total variable pay is deferred over a period of seven years with 50% delivered in a share-like instrument.

The table below illustrates how the 2024 bonus for the CEO, deputy CEO, CFO and COO will be delivered:

Performance year	April following the bonus scheme year	Paid one year later	Paid two years later	Paid three years later	Paid four years later	Paid five years later	Paid six years later	Paid seven years later	Paid eight years later
Annual bonus scheme	40% of the bonus is awarded in the April following the scheme year. 50% of any award will be delivered in a share-like instrument.			60% of the bonus will be deferred, over a period of seven years with no vesting until three years after the award is made. 50% of any award will be delivered in a share-like instrument.					
	20% cash			6% cash	6% cash	6% cash	6% cash	6% cash	
		20% share-like instrument			6% share-like instrument	6% share-like instrument	6% share-like instrument	6% share-like instrument	6% share-like instrument

Non-executive directors

NED fees are set at a level that aligns with market conditions and is sufficient to attract individuals with appropriate knowledge and experience whilst reflecting the level of responsibilities and time commitment required for board and board committee meetings.

NEDs receive a basic fee and an additional fee for further duties (for example, Chair of a committee or senior independent director responsibilities).

Fees are reviewed annually with recommendations made to the board by the ExCo. The Chair's fee is reviewed by the Remuneration Committee and is in line with the Remuneration Policy, which is to offer fees that are competitive when compared with similar financial services organisations.

Non-executive directors are reimbursed for travel expenses for attending meetings and, where tax liability arises for these travel expenses, this will be covered by the Society.

Work of the Committee

The Remuneration Committee divides its time appropriately and proportionately across the three key workstreams of:

1. Pay policy, strategy and variable pay design – ensuring that our remuneration programmes are designed in a way that links outcomes to Society performance and operates in a way that promotes sound and effective risk management.
2. Base and variable pay outcomes and oversight of Society remuneration – base and variable pay awards are considered against a full risk assessment, Society performance and external market practice and trends. Alongside this, appropriate scrutiny and oversight of broader society remuneration takes place, to ensure compliance with prevailing legislation, broader Society culture and alignment with Executive Compensation outcomes.
3. Governance and regulatory reporting – ensuring that the Committee is properly structured and effectively run, and that the Committee is properly informed and aware of the regulatory and reporting context that reward management sits within.

Report on remuneration 2024

Executive director remuneration summary for 2024

The total remuneration received by executive directors for 2024 is detailed below, compared with 2023. The total remuneration for executive directors equates to 1.95% of profit before tax (2023:1.41%). This information has been audited and shows remuneration for the years ending 31 December 2023 and 31 December 2024, as required to be reported under the Building Societies (Accounts and Related Provisions) Regulations 1998. The awards made in respect of performance in 2024 are in line with the 2024 Remuneration Policy, with a maximum annual bonus of 20% for executive directors.

The CEO is the Society's highest paid colleague. As we are a mutual organisation, we have no share capital and, therefore, do not offer share-based remuneration to executive directors or colleagues.

Executive director remuneration 2024 and 2023 (audited)

Executive directors	Salary £'000		Annual bonus £'000		Retention award (1) £'000		Pension (2) £'000		Loss of office £'000		Total fixed remuneration £'000		Total variable remuneration £'000		Total remuneration £'000	
Year	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
R G Fearon	696	665	122	123	–	–	77	74	–	–	773	739	122	123	895	862
A P Conroy	431	404	71	71	–	–	44	40	–	–	475	444	71	71	546	515
A J Greenwood	436	415	74	71	–	–	74	71	–	–	510	486	74	71	584	557
R J Howse	402	392	69	68	142	118	40	39	–	–	442	431	211	186	653	617
Total remuneration (3)	**1,965**	**1,876**	**336**	**333**	**142**	**118**	**235**	**224**	**–**	**–**	**2,200**	**2,100**	**478**	**451**	**2,678**	**2,551**

Notes

(1) The Remuneration Committee approved a retention award, specifically in relation to the successful delivery of the critical, multi-year core system migration programme for R J Howse.

(2) These directors elected to receive part or all of the Society's pension contribution as a cash allowance.

(3) No director received other taxable benefits of £1,000 or above.

Annual incentive

For 2024, corporate performance incentive opportunities were based on the performance measures in the following table.

The table also illustrates performance against each of the measure.

Blueprint performance measure	Weightings for maximum (as % of salary)	Pay out %
Sustainable purpose delivery	3.34%	3.23%
Being responsive to member needs	3.33%	2.99%
Purpose-led colleagues and culture	3.33%	2.78%

Notes:

The corporate measures only apply to the CEO, CFO and COO. The deputy CEO is responsible for a control function and, therefore, is remunerated on personal objectives only based on a maximum of 20%.

Personal performance achievement for executive directors was in the range of 7.31% to 8.35% (16.88% in respect of the deputy CEO). Personal performance for executive directors in a non-control function is based on a maximum of 10% and is assessed on personal objectives relating to each executive director specific role and behaviours. Following a thorough risk assessment as detailed below, no malus or clawback was applied.

Retention award

As reported in 2022, the Remuneration Committee approved a retention award, specifically in relation to the successful delivery of the critical, multi-year core system migration programme for the COO, Rob Howse.

The second instalment of the retention award of £142,076 was made in 2024, based on the successful delivery of specific project milestones and objectives.

The retention award is part of variable pay and is subject to malus and clawback, deferral and delivery in instruments, as determined by the Remuneration Committee.

Risk assessment

The risk assessment process is independently managed by the Risk function. Following completion of the risk assessment process, the CRO provides an annual report on areas the Remuneration Committee should consider, in respect of whether performance or risk adjustment is necessary to remuneration outcomes. The report is initially reviewed by the BRC, which then highlights any specific areas for further consideration to the Remuneration Committee. In addition, the Risk function considers the corporate priorities and personal objectives for executive directors' future year remuneration, to ensure they are aligned with our risk appetite.

The report from the CRO includes an assessment of the current year's performance in the context of objectives for each prior year for which variable remuneration has been deferred.

The individual performance of Material Risk Takers and their teams is risk assessed by reference to a range of dimensions including audit findings, compliance with regulatory policies, compliance with our risk appetite, and general control and governance matters.

The Remuneration Committee, after consultation with the BRC and consideration of performance against risk appetites, did not make any risk adjustment for 2024.

Unpaid deferred elements of the annual bonus scheme

Executive directors	Performance year	Due 2025 £'000	Due 2026 £'000	Due 2027 £'000	Due 2028 £'000	Due 2029 £'000	Due 2030 £'000	Due 2031 £'000	Due 2032 £'000	Due 2033 £'000	Total £'000
R G Fearon	2019	20	20	20	11	–	–	–	–	–	71
	2020	14	23	23	23	20	8	–	–	–	111
	2021	6	12	12	12	12	7	–	–	–	61
	2022	–	7	13	13	13	13	7	–	–	66
	2023	24	–	7	15	15	15	15	8	–	99
	2024	24	24	–	7	15	15	15	15	7	122
	Total	**88**	**86**	**75**	**81**	**75**	**58**	**37**	**23**	**7**	**530**
A P Conroy	2020	12	–	–	–	–	–	–	–	–	12
	2021	4	7	7	7	7	4	–	–	–	36
	2022	–	3	8	8	8	8	3	–	–	38
	2023	14	–	5	8	8	8	8	5	–	56
	2024	14	14	–	4	9	9	9	9	4	72
	Total	**44**	**24**	**20**	**27**	**32**	**29**	**20**	**14**	**4**	**214**
A J Greenwood	2020	13	–	–	–	–	–	–	–	–	13
	2021	4	7	7	7	7	4	–	–	–	36
	2022	–	4	8	8	8	8	4	–	–	40
	2023	14	–	4	8	8	8	8	4	–	54
	2024	15	15	–	4	9	9	9	9	4	74
	Total	**46**	**26**	**19**	**27**	**32**	**29**	**21**	**13**	**4**	**217**
R J Howse	2021	4	7	7	7	7	5	–	–	–	37
	2022	–	4	8	8	8	8	4	–	–	40
	2023	14	–	4	8	8	8	8	4	–	54
	2024	14	14	–	4	8	8	8	8	4	68
	Total	**32**	**25**	**19**	**27**	**31**	**29**	**20**	**12**	**4**	**199**
P A Hill	2018	25	25	14	–	–	–	–	–	–	64
	Total	**25**	**25**	**14**	**–**	**–**	**–**	**–**	**–**	**–**	**64**
R S P Litten	2018	17	17	9	–	–	–	–	–	–	43
	2019	3	4	4	2	–	–	–	–	–	13
	Total	**20**	**21**	**13**	**2**	**–**	**–**	**–**	**–**	**–**	**56**
Total		**255**	**207**	**160**	**164**	**170**	**145**	**98**	**62**	**19**	**1,280**

The payment of deferred elements is subject to future performance, for example, the application of malus. Clawback will be applied as required by regulation.

Pensions and other benefits

A J Greenwood is a deferred member of the defined contribution section of the pension scheme and has opted for a cash allowance in lieu of the Society's pension contribution. R G Fearon and A P Conroy opted to receive pension benefits as part contributions to the defined contribution section of the pension scheme and part cash allowance, in lieu of the Society's pension contribution. R J Howse has opted for a cash allowance in lieu of the Society's pension contribution.

No executive director has the right or opportunity to receive enhanced benefits beyond those already disclosed, and the Committee has not exercised its discretion during the year to enhance benefits.

Long-term incentive awards made in the financial year

No long-term incentive awards were made in the financial year to executive directors.

Payments for loss of office

Executive directors may be entitled to receive compensation for loss of office. Such payments will be based on the monthly salary and pension contributions that the executive would have received if still in our employment.

There were no payments for loss of office made in the financial year to executive directors.

Remuneration for Material Risk Takers in 2024

Material Risk Takers are senior managers who include executive and non-executive directors, chief officers and directors whose actions have a material impact on the risk profile of the Society.

The basic salary or fees of Material Risk Takers is determined to reflect the responsibilities of the role. Salaries are reviewed annually, as for all colleagues. Material Risk Takers, other than NEDs, are eligible for an annual bonus scheme. The bonus scheme for Material Risk Takers in control functions is based on the achievement of non-financial objectives. In 2024, there were 34 Material Risk Takers during the year.

Aggregate remuneration for Material Risk Takers is reported in the table below.

	Number of beneficiaries (1)		Fixed pay (2)		Current year variable pay		Total	
	2024	2023	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Senior management	13	13	2,860	2,693	520	492	3,380	3,185
Other Material Risk Takers (3)	21	26	5,104	4,787	712	645	5,816	5,432
Total	**34**	**39**	**7,964**	**7,480**	**1,232**	**1,137**	**9,196**	**8,617**

Notes

(1) Material Risk Takers who left the Society during the calendar year are included in the table above.

(2) Fixed pay includes basic salary, benefits, pension, loss of office payments and fees for NEDs.

(3) The presentation of the 2023 comparatives has been restated to present the accurate split between senior management and other material risk takers.

Remuneration for non-executive directors

NEDs receive a basic fee and an additional fee for further duties (for example, Chair of a committee or senior independent director responsibilities).

Non-executive directors	Basic fees (£'000)		Benefits (1) (£'000)		Committee chair/ other fees (£'000)		Total (£'000)	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
I C A Cornish (Chair)	174	169	5	6	–	–	179	175
G J Hoskin (current senior independent director)	58	56	3	5	25	24	86	85
A M Barnes	58	56	8	8	18	18	84	82
D Fisher	58	56	–	–	–	–	58	56
N A Fuller	58	56	3	5	18	18	79	79
A Tadayon	58	56	8	10	–	–	66	66
F Buckley	58	42	3	3	–	–	61	45
P Rowland	58	37	6	3	–	–	64	40
B McCafferty (2)	19	–	5	–	–	–	24	–
L R McManus (3)	–	2	–	2	–	–	–	4
Total	**599**	**530**	**41**	**42**	**61**	**60**	**701**	**632**

Notes

(1) In addition to the payment of fees, NEDs are reimbursed for travel expenses for attending meetings and, where tax liability arises, this will be covered by the Society.

(2) This colleague joined on 1 September 2024.

(3) This colleague left on 13 January 2023.

NEDs (including the Chair) received an annual basic fee increase of 3.5% in April 2024, in line with the senior leadership colleague population.

From 1 April 2025, NED fees will be as follows:

Role	2025 Fee
Chair of the board	£180,538
Senior independent director	£7,128
NED base fee	£59,812
Committee Chair (Audit, Risk, Remuneration)	£18,849

Payments to former directors

A payment of £25,307 has been made in 2024 to P A Hill, the former CEO, who retired on 30 June 2019. A payment of £20,662 has been made in 2024 to R S P Litten, the former CFO, who left the Society on 18 April 2019. The bonus payments consisted of deferred incentive awards, which are assessed in full when they are awarded. All these payments were subject to risk assessment and the Committee determined no risk adjustment was required.

Policy review

The Remuneration Policy is subject to an annual review of both its content and implementation and is approved by the Remuneration Committee. The BRC also contributes to the policy review, to ensure it takes sufficient account of risk considerations.

Remuneration arrangements meet regulatory requirements, including the FCA Dual–Regulated Firms Remuneration Code, PRA Rulebook and good corporate governance practice.

Vote

Members are asked to vote on the Remuneration Policy at least every three years, or earlier if the policy changes. The current Remuneration Policy took effect from the date of the 2024 AGM.

Annual General Meeting 2024 results – Directors Remuneration Report

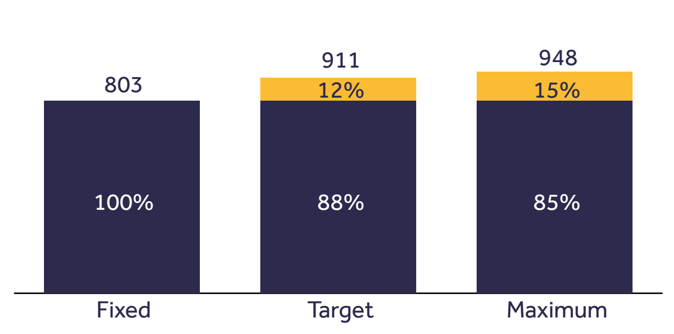
Resolution 3	% votes for	% votes against
Directors' remuneration report	93.01%	6.99%

Resolution 4	% votes for	% votes against
Directors' remuneration policy	92.48%	7.52%

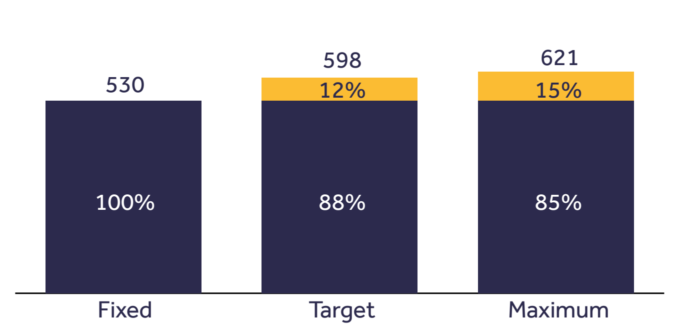
Awards under different scenarios for 2025

The charts below show the awards split between fixed pay and variable pay, under the variable pay arrangements, for each current executive director under different scenarios:

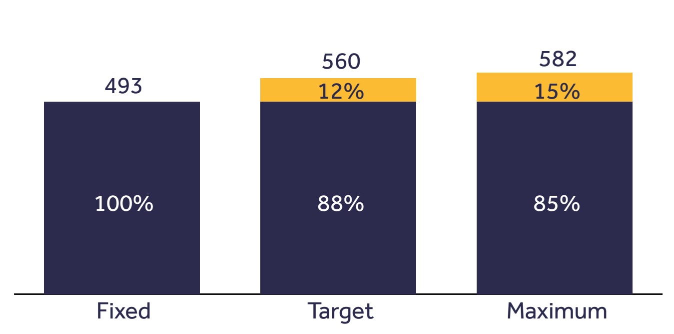
Chief Executive Officer (£)



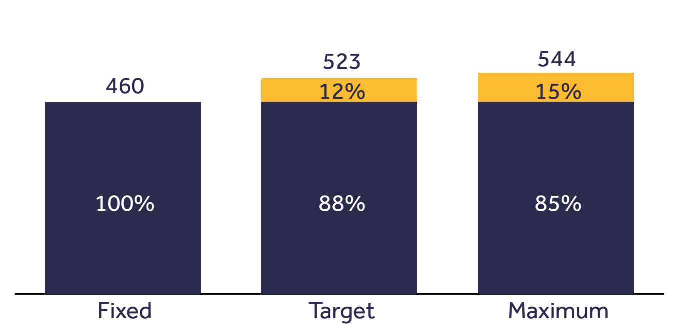
Deputy Chief Executive Officer (£)



Chief Financial Officer (£)



Chief Operating Officer (£)



<table>
<tr><th>Type</th><th colspan="4">Summary</th></tr>
<tr><td rowspan="7">Fixed</td><td colspan="4">Consists of basic salary and pension.
Basic salary at 1 April 2025:</td></tr>
<tr><th>Executive director</th><th>Basic salary</th><th>Pension</th><th>Total fixed</th></tr>
<tr><td>Chief Executive Officer</td><td>£723,318</td><td>£79,565</td><td>£802,883</td></tr>
<tr><td>Deputy Chief Executive Officer</td><td>£453,076</td><td>£77,023</td><td>£530,099</td></tr>
<tr><td>Chief Financial Officer</td><td>£447,741</td><td>£44,774</td><td>£492,515</td></tr>
<tr><td>Chief Operating Officer</td><td>£418,108</td><td>£41,811</td><td>£459,919</td></tr>
<tr><td>Target</td><td colspan="4">Based on what an executive director would receive if the target level of performance was achieved, based on a 20% variable remuneration scheme: annual variable element pays out at 75% of the maximum available.</td></tr>
<tr><td>Maximum</td><td colspan="4">Based on what an executive director would receive if the maximum level of performance was achieved: annual variable element pays out at 100% of maximum available.</td></tr>
</table>

Approach to recruitment remuneration for executive directors

Type	Remuneration element	Summary
Fixed remuneration	**Basic salary and benefits**	The salary level will be set taking into account the responsibilities of the individual and by comparison with roles carrying similar responsibilities, in organisations of a comparable size, complexity and diversity to the Society. The executive director will be eligible to receive benefits as set §out in the Remuneration Policy table.
	Pension	The executive director will be able to participate in the defined contribution section of the pension scheme or to receive a cash allowance of up to a maximum of 10% of basic salary, in line with the colleague population.
Variable remuneration	**Annual bonus**	The executive director will be eligible to participate in the annual bonus scheme as set out in the Remuneration Policy table. The bonus award will be pro-rated to the number of complete months worked during that year.
	Replacement award	When replacement awards cannot be avoided, the Committee will structure any such awards so that, overall, they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining the quantum and structure of these commitments, the Committee will seek to replicate the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone.
	Recruitment remuneration	Any payments made to executive directors on joining the Society to compensate them for forfeited remuneration from their previous employer will be compliant with the provisions of the PRA Rulebook and the FCA Dual-Regulated Firms Remuneration Code.
	Retention awards	Such awards will only be made in exceptional circumstances. The monetary value of the award will be defined at grant and vesting of awards will be tied to the completion of a defined period of service and the satisfactory completion of a specific project or other multi-task deliverable. Retention awards can be made in conjunction with the annual bonus, up to a maximum of 100% of fixed pay. All retention bonuses, for Material Risk Takers, are subject to the approval of the Remuneration Committee. Retention awards are part of variable pay and may be subject to malus and clawback, deferral and delivery in instruments, as determined by the Remuneration Committee.

Service contracts

Executive directors' terms and conditions of employment, including details of remuneration, are detailed in their individual service agreements, which include a notice period of 12 months. The standard contract is available to view at the Society's Head Office.

The NEDs do not have service contracts with the Society.

Other paid directorships

Andrew Greenwood holds a member role at the Clarion Foresight Group which has been approved by the board and does not give rise to any conflict.

Policy on payment for loss of office

When determining any loss of office payment for a departing individual, the Committee will seek to minimise costs to the Society, whilst seeking to reflect the circumstances in place at the time. Accordingly, the Committee retains overriding judgement to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.

Type	Remuneration element	Summary
Fixed remuneration	**Basic salary and benefits**	In the event of termination by the Society, there will be no compensation for loss of office due to misconduct or poor performance. In other circumstances, executive directors may be entitled to receive compensation for loss of office. Such payments will be based on the monthly salary and pension contributions that the executive would have received if still in employment with the Society. Executive directors are expected to mitigate compensation for loss of office, in appropriate circumstances.
Variable remuneration	**Annual bonus**	Where an executive director's employment is terminated during or after the end of a performance year, but before the payment is made, the executive may be eligible for a pro-rated annual bonus for that performance year, subject to an assessment based on performance achieved over the period and subject to risk adjustment. No award will be made in the event of misconduct. Where an executive director leaves the Society after an award is made, deferred payments will remain payable, subject to the normal rules of the scheme, including risk adjustment. The Remuneration Committee, in determining the final awards, may apply judgement to assess performance in the round. When assessing performance in the round, the Remuneration Committee may take into account (inter alia) wider market, regulatory and stakeholder considerations.

Statement of consideration of conditions elsewhere in the Society

The Committee considers the increase in general basic salary for the wider colleague population when determining the annual salary increases for the executive directors.

The chart below illustrates the comparison of average basic salary increase made in April 2025 to the CEO, executive directors and all other colleagues.

Statement of implementation of the Remuneration Policy in the following year

The Remuneration Policy is implemented by management. A formal review of the implementation of the policy is conducted by the Remuneration Committee on an annual basis.

The executive directors' salaries from 1 April 2025 are as follows, compared with 1 April 2024:

	1 April 2024	1 April 2025	% Increase
R G Fearon	£702,250	£723,318	3%
A J Greenwood	£439,880	£453,076	3%
A P Conroy	£434,700	£447,741	3%
R J Howse	£405,930	£418,108	3%

The annual pay review takes place in April, for all colleagues in the Society, including executive directors.

As noted in the Chair's introduction, the bonus scheme constructs for executive directors and the wider SLT will be rebalanced with effect from January 2025. This rebalancing will see objectives and behaviours given equal weighting within the personal section of the bonus scheme. This change does not impact the overall scheme maximum, which remains at 20%, or the 50:50 split between Society and personal performance elements. The change recognises the value of behaviours in driving superior commercial performance at the Society.

Due to their commercial sensitivity, targets and individual objective weightings are not disclosed prospectively.

CEO pay ratio

The Companies (Miscellaneous Reporting) Regulations 2018 came into force for accounting periods starting from 1 January 2019 and requires the publication of the ratio of the CEO's single figure total remuneration. We have chosen to use the government's preferred methodology (option A), which determines the total full time equivalent remuneration for all colleagues for the relevant financial year, and compares the median, 25th and 75th percentiles against the CEO single figure.

Year	Method	25th percentile	Median	75th percentile
2024	Option A	31:1	20:1	14:1
2023	Option A	31:1	21:1	14:1
2022	Option A	30:1	20:1	13:1
2021	Option A	30:1	20:1	13:1
2020	Option A	32:1	21:1	14:1
2019	Option A	32:1	22:1	15:1

The remuneration below is calculated in respect of the year ended 31 December 2024:

Remuneration element	25th percentile (£)	Median (£)	75th percentile (£)
Total pay and benefits	£29,073	£43,905	£65,369
Salary	£23,776	£39,082	£53,774

Directors' loans, transactions and related business activity

The aggregate amount outstanding at 31 December 2024 in respect of loans from the Society or a subsidiary undertaking to directors of the Society or persons associated with directors was nil (2023: nil), being nil mortgages (2023: nil) to directors and persons connected to directors. A register of loans and transactions with directors and their connected persons is maintained at the Head Office of the Society and may be inspected by members. There were no significant contracts between the Society or our subsidiaries and any director of the Society during the year.

History of remuneration of CEO

The table below shows the total remuneration of the CEO over the last five years, together with the performance pay awarded as a percentage of the maximum possible.

Year	Total remuneration £'000	Performance pay as % of maximum
2024	895	86.8
2023	862	90.4
2022	752	93.4
2021	695	94.0
2020	684	82.9

Percentage change in salary for CEO

The basic salary of the CEO increased by 3.5% during 2024. An average annual increase of 4.64% in basic pay was awarded to all colleagues. The annual change of each individual executive director's pay, compared to the annual change in average colleague pay is detailed below.

	Annual increase
Chief executive officer	3.50%
Deputy chief executive officer	3.50%
Chief financial officer	3.50%
Chief operating officer	3.50%
Minimum salary	4.55%
Colleague average	4.64%

Relative importance of spend on pay

The following table sets out the percentage change in profit and overall spend on remuneration in the year ending 31 December 2024, compared to the previous year.

	2024	2023	Percentage change
Group profit after tax	£99.9 million	£133.9 million	(25.4)%
Colleague remuneration costs	£85.2 million	£79.1 million	7.7%
Headcount	1,846	1,788	3.2%

External advisers to the Remuneration Committee

The Committee seeks input from the Chief People Officer, the Reward Lead, and the CEO, who are invited to attend meetings. The Committee also benefits from specialist advice when required from an appropriate independent remuneration advisor (PwC LLP). PwC LLP advised management, in support of committee activity, in 2024 and has confirmed it does not have any conflict of interest in advising the Remuneration Committee.

Directors' Report

Year ended 31 December 2024

The directors are pleased to present their Annual Report and Accounts and Annual Business Statement, for the year ended 31 December 2024.

Our business model and purpose-led strategy are described in the business model and strategy section on pages 9 to 30 of the Strategic Report, where KPIs are also presented.

Profits and capital

Profit before tax for the year was £137.5 million (2023: £181.5 million). The profit after tax transferred to the general reserve was £99.9 million (2023: £133.9 million). Total equity attributable to members at 31 December 2024 was £1,720.4 million (2023: £1,643.4 million).

Gross capital at 31 December 2024 was £2,062.6 million (2023: £2,000.3 million) including £334.2 million (2023: £323.9 million) of subordinated liabilities and £8.0 million (2023: £33.0 million) of subscribed capital. The ratio of gross capital as a percentage of shares and borrowings was 7.10% at 31 December 2024 (2023: 7.83%) and the free capital ratio was 6.82% (2023: 7.46%). Further explanation of these ratios is provided on page 222 of the Annual Business Statement.

Mortgage arrears

At 31 December 2024, there were 361 (2023: 343) mortgage accounts 12 months or more in arrears. The total mortgage arrears, for these accounts, was £5.0 million (2023: £4.4 million) and the total principal balance outstanding was £38.2 million (2023: £34.9 million).

Charitable and political donations

In 2024, the Society made donations of £305,434 (2023: £301,670) to the Leeds Building Society Charitable Foundation. Our other donations to charities and good causes (including colleague match funding) during the year amounted to £391,251 (2023: £582,077).

The Caring Saver and Your Interest in Theirs scheme provided further donations of £20,316 (2023: £13,170) and £92,601 (2023: £84,874) respectively to specified charities. Additionally, the Society has savings products which supported Dementia UK and Barnardo's during 2024, resulting in a donation of £98,066 (2023: £82,082).

Other charitable donations from colleagues and members totalled £115,518 (2023: £112,256) taking total donations to charities and good causes to £1,023,186 (2023: £1,176,129).

No political donations were made during the year (2023: none).

Principal risks and uncertainties

Our approach to managing risks and the principal risks and uncertainties we face are set out in the Risk Management Report on pages 62 to 89, which also contains information on, and our approach to managing, our financial risks.

Colleagues

Information on key colleague policies and associated KPIs, including our processes for communication and consultation with colleagues, are included in the Strategic Report on pages 9 to 30 and the Corporate Governance Report on pages 99 to 117 .

We are committed to ensuring every colleague feels valued and included for who they are and the unique perspectives they bring. We are a Disability Confident accredited employer and give full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Where a colleague becomes disabled during the course of their employment, every effort is made to continue their employment, making reasonable and proportionate adjustments as necessary.

Business relationships

We are committed to developing strong business relationships with our partners, notably our mortgage brokers, suppliers and investors. Further details of how the board has regard to the interests of these and other stakeholders can be found on pages 25 to 28 and 105 to 106.

Creditor payment policy

We aim to agree terms and conditions with suppliers that outline the way in which business is to be transacted, including the terms of payment, and to pay in accordance with contractual and other legal obligations.

Creditor days stood at 15 days at 31 December 2024 (2023: 15 days).

Environmental policy

The directors recognise that climate change is a significant global issue which impacts on and requires action from multiple bodies, including governments, businesses and individuals. We are committed to playing our part as a responsible business.

During the year, we have continued to enhance our understanding of the risks and opportunities for the business from climate change and monitor targets to reduce our environmental impact. Our climate-related financial disclosures are included on pages 47 to 60 of the Strategic Report.

Pillar 3 disclosures

The disclosures required under Pillar 3 of CRD V are published on our website at **leedsbuildingsociety.co.uk/press/financial-results**.

Corporate governance

We have provided statements on corporate governance and directors' roles and responsibilities in the Corporate Governance Report on pages 99 to 117.

Directors' responsibilities in respect of the preparation of the Annual Accounts

This statement is made by the directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement and Directors' Report. It should be read in conjunction with the statements on the respective responsibilities of directors and the auditor on pages 162 and 163.

For each financial year, the directors are required by the Building Societies Act 1986 (the Act) to prepare annual accounts which give a true and fair view of the income and expenditure of the Society and the Group, and of the state of affairs of both, as at the end of the financial year. Additionally, they must provide details of directors' emoluments in accordance with Part VIII of the Act and regulations made under it. The Act states that references to IFRS accounts giving a true and fair view are references to their achieving a fair presentation.

In preparing the Annual Accounts, directors are required to:

- Select appropriate accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether the Annual Accounts have been prepared in accordance with IFRS.
- Prepare the Annual Accounts on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors consider that the Annual Report and Accounts are fair, balanced and understandable, when taken as a whole, and that they provide the information necessary for members to assess the Society's and Group's performance, business model and strategy.

In addition to the Annual Accounts, the Act requires the directors to prepare an Annual Business Statement and a Directors' Report for each financial year. Each contains prescribed information relating to our business and subsidiary undertakings.

Directors' responsibilities for accounting records and internal control

The directors are responsible for ensuring that the Society and our subsidiary undertakings:

- Keep accounting records in accordance with the Building Societies Act 1986.
- Take reasonable care to establish, maintain, document and review such systems and controls as are appropriate to our business.

The directors have general responsibility for safeguarding the Society's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors who held office at the date of approval of this report confirm that, as far as they are aware, there is no relevant information of which our auditor is unaware and that each director has taken all steps necessary to make themselves aware of any relevant audit information and establish that the auditor is aware of that information.

Going concern

The directors are required to prepare financial statements on a going concern basis, unless it is inappropriate to presume that the Society and the Group will continue in business for the next 12 months.

The directors review the results of regular forecasts and stress tests to understand the potential financial and operational performance of the business under a range of economic and market conditions. This informs their assessment of whether the Society and the Group are going concerns. These assessments reflect the potential impacts of the principal and emerging risks set out on pages 41 to 44.

The directors have also reviewed the Society's and Group's position over a longer period than the 12 months required by the going concern assessment. This is explained in the Viability Statement on pages 45 to 46 of the Strategic Report.

Based on the assessments performed, the directors have concluded that:

- The Group has proven access to liquidity resources, including access to central bank funding facilities if required, sufficient to meet both the normal demands of the business and the requirements which might arise in modelled stressed circumstances. The availability and quality of liquid assets are structured so that funds are available to repay any maturing wholesale funds and cover exceptional demand from retail investors.

- The Group's other assets consist primarily of mortgages secured on residential property. The recoverability of all mortgage assets is regularly reviewed and provisions are made, incorporating a forward-looking view of expected losses under a range of macroeconomic scenarios, so that the Group is not exposed to losses on these assets which would impact its decision to adopt the going concern basis.
- The Group's current capital resources are sufficient to meet regulatory requirements. Having reviewed plans and forecasts, the directors consider plans for future capital generation are sufficient to maintain capital in excess of regulatory requirements, under both central and modelled stressed scenario.

The directors have therefore concluded that the Society and Group have adequate resources to continue in operation to 27 February 2026, representing a period of at least 12 months from the date of approval of the financial statements. Therefore, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Directors

The names of the directors of the Society at 31 December 2024, their roles and membership of board committees are detailed on pages 91 to 97.

In line with best practice, all executive and non executive directors offer themselves for election or re-election by the members at the AGM.

None of the directors hold any beneficial interest in shares in, or debentures of, any subsidiary undertaking of the Society.

Auditor

In accordance with Section 77 of the Building Societies Act 1986, a resolution for Ernst & Young LLP's re-appointment as auditor will be proposed at the AGM.

Post balance sheet events

The directors consider that no events have occurred since the year end to the date of this Annual Report that are likely to have a material effect on the financial position of the Group, as disclosed in the Annual Accounts.

Katherine Tong
Director of Legal, Compliance and Secretary

27 February 2025

Financial Statements

Independent Auditor's Report to the Members of Leeds Building Society

Year ended 31 December 2024

Opinion

In our opinion:

- The financial statements of Leeds Building Society (the Society) and its subsidiaries (together the Group) give a true and fair view of the state of the Group's and the Society's affairs as at 31 December 2024 and of the Group's and the Society's income and expenditure for the year then ended;
- The financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- The financial statements have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements (as defined in the table below) of the Group and Society for the year ended 31 December 2024, which comprise:

Group	Society
Income statement for the year ended 31 December 2024	Income statement for the year ended 31 December 2024
Statement of comprehensive income for the year ended 31 December 2024	Statement of comprehensive income for the year ended 31 December 2024
Statement of financial position for the year ended 31 December 2024	Statement of financial position for the year ended 31 December 2024
Statement of changes in members' interests for the year ended 31 December 2024	Statement of changes in members' interests for the year ended 31 December 2024
Statement of cash flows for the year ended 31 December 2024	Statement of cash flows for the year ended 31 December 2024
Related notes 1 to 33 to the financial statements, including material accounting policy information	
Country by Country Reporting for the year ended 31 December 2024	
Tables within the Directors' remuneration report identified as 'audited' on pages 136 to 151.	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Society and we remain independent of the Group and the Society in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and the Society's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We confirmed our understanding of the directors' going concern assessment process, including the Financial Statement Close Process, and the process by which the Corporate Plan is created and approved.
- We obtained the directors' going concern assessment, which covers a period until 27 February 2026, being 12 months from the date of approval of the Annual Report and Accounts.
- We compared the historical budgeted financial information with actual results, in order to form a view on the reliability of the forecasting process.
- We assessed the reasonableness of the Group and Society's funding plans, including capital and liquidity requirements. We considered the Group and Society's current funding position and availability of additional capital and liquidity should it be required. We also evaluated the Group and Society's ability to replace maturing debt instruments over the going concern period to manage regulatory capital requirements.
- We assessed the results of the Group's stress and reverse stress testing, including considering the impact of ongoing macroeconomic uncertainty. We evaluated the feasibility of management's planned future actions should stress scenarios materialise.
- We considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.
- We reviewed regulatory correspondence, committee and board meeting minutes in order to identify events or conditions that may impact the Group and Society's ability to continue as a going concern.
- We reviewed the going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's ability to continue as a going concern until 27 February 2026, being a period of 12 months from the date of approval of the Annual Report and Accounts.

In relation to the Group's and the Society's reporting on how they have applied the UK Corporate Governance Code (the Code), we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and the Society's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of the Group and the Society.
Key audit matters	• Fair value of the collateral loan and RPI-linked swap. • UK residential ECL provisions.
Materiality	• Overall Group and Society materiality of £9.4 million which represents 5% of adjusted profit before tax. In 2023 the predecessor auditor adopted a materiality of £8.2 million for the Group and £8.1 million for the Society based on 0.5% of net assets.

Year ended 31 December 2024

An overview of the scope of the Society and the Group audits

Tailoring the scope

The Society is managed from one location in Leeds. All audit work performed for the purposes of the audit was undertaken by a single audit team based in the UK.

We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the Group and Society financial statements and identified significant accounts and disclosures. When identifying the extent to which audit work needed to be performed to respond to the identified risks of material misstatement of the Group and Society financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, applications and relevant internal audit results.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the key audit matters section of our report.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group and the Society. The Group and Society has determined that the most significant future impacts from climate change on their operations will be from physical and transition risks. These are explained on pages 47 to 60 in Climate-Related Financial Disclosures section of the Annual Report and Accounts, including the Society's commitments to support transition to a greener, net zero economy by 2050. All of these disclosures form part of the 'Other Information' rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on 'Other Information'.

In planning and performing our audit we assessed the potential impacts of climate change on the Group and Society's business and any consequential material impact on its financial statements.

The Group and Society has explained in Note 2 how they have reflected the impact of climate change in their financial statements. These disclosures explain the approach to quantify the impact of climate risk on ECL. These disclosures also explain that future government policies and economic and regulatory responses to climate change risks are still developing, and future impacts remain uncertainty and cannot be reliability incorporated into assessments when determining asset and liability valuations under the requirements of UK adopted international accounting standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed in Note 2 and whether these have been appropriately reflected in asset and liability values, where these are impacted by future cash flows, following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact of climate change to principally impact the 'UK residential ECL provisions' key audit matter. Details of the impact, our procedures and findings are included in our explanation of the 'UK residential expected credit loss provisions' key audit matter overleaf.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
Fair value of the collateral loan and RPI-linked swap Refer to the Audit Committee Report (page 128); Accounting policies (page 171); and Note 2 (b) of the Consolidated Financial Statements (pages 183 and 184). As at 31 December 2024, the Group and Society reported a £145.0 million collateral loan (2023: £153.6 million) and fair value of the associated RPI-linked swap of £5.9 million (2023: £14.9 million). The Society owns three equity release mortgage portfolios that each contain a 'no negative equity guarantee' that any shortfall arising on the sale of the property securing the mortgage will not be pursued. The Society is therefore exposed to potential losses on the portfolio, albeit any loss is limited in part by a further guarantee provided to the Society by a third party. As a result of these elements, the portfolio is measured at fair value. The fair value of the equity release portfolio is determined using a model involving several judgmental assumptions. As the portfolio ages, a greater portion of the book does not have observable market data, increasing its inherent risk. The Society uses swaps to manage the interest rate risk and reduce income statement volatility that would otherwise result from changes in the fair value of the equity release portfolio. The RPI-linked swap is a Level 3 financial instrument as it is valued using a model with judgemental assumptions and the unobservable inputs of mortality rate and voluntary redemption rates as future notional amounts are not specified in the contract. The key assumptions used in the models include: • Discount rates, including spread. • Property price volatility. • Property price sale discounts. • Mortality rates. • RPI inflation rates. • Voluntary mortgage redemption rates. • Estimations for long-term care. Due to the degree of judgement that needs to be exercised by the directors in determining the key assumptions used in the valuation model, we considered this to be a key audit matter. The heightened levels of estimation uncertainty also gave rise to an increased risk of management override of controls.	We understood and evaluated the design effectiveness of key controls over the fair value of the equity release portfolio and RPI-linked swap, and adopted a substantive audit approach. With support from EY valuation specialists, we assessed the appropriateness of the Society's valuation techniques and independently calculated a range of fair values for the collateral loan and RPI-linked swap. We compared the reported fair values against this range. Alongside EY valuation specialists and life actuaries, we challenged the key assumptions used in the fair value models. We compared assumptions applied in the fair value models to the Society's historical experience and benchmarked assumptions to observable market data where applicable.
Key observations communicated to the Audit Committee	
We reported the outcome of our independently determined ranges, and concluded that the fair value of the collateral loan and RPI-linked swap was within our reasonable range. We concluded that the assumptions deployed in the fair value of the collateral loan and RPI-linked swap were reasonable in the context of the equity release mortgage portfolio and current market conditions.	

Year ended 31 December 2024

Risk	Our response to the risk
UK residential ECL provisions Refer to the Audit Committee Report (page 127); Accounting policies (pages 172 and 173); and Note 2 of the Consolidated Financial Statements (pages 177 to 183). As at 31 December 2024, the Group and Society reported gross UK residential loans and advances to customers of £24,355.0 million (2023: £21,741.1 million) and related ECL provisions of £36.9 million (2023: £44.3 million). The ECL provision is a significant balance that carries a high degree of estimation uncertainty due to the assumptions used in its calculation. The calculation of such provisions under IFRS 9 requires a forward-looking assessment of expected losses, increasing the complexity and number of judgements used. The level of judgement and estimation remains heightened as a result of the current economic environment which leads to greater uncertainty in forecasting future economic scenarios, the weightings to be applied to these scenarios, the determination of significant increase in credit risk (SICR), and the use of judgemental overlays. Key judgements and estimates in the timing and measurement of ECL include: • Probability of default (PD). • Loss given default (LGD). • Exposure at default (EAD). • Assessment of staging criteria and identification of loans that exhibit a SICR. • Incorporation of forward-looking information, including multiple economic assumptions. • Completeness and valuation of post model adjustments (PMAs). We also considered potential consequences of climate change and the impact of this on the ECL provision. Due to the degree of judgement that needs to be exercised by the directors in determining the key assumptions used in calculating the ECL provision for the UK residential mortgage portfolio, we considered this to be a key audit matter. The heightened levels of estimation uncertainty also gave rise to an increased risk of management override of controls.	We understood and evaluated the design effectiveness of controls over the UK residential impairment processes, and adopted a substantive audit approach. With the support of EY credit risk modelling specialists, we performed a model inherent risk assessment of models used to generate the UK residential ECL provision. Based on this risk assessment we tailored our procedures, which included: • Testing the appropriateness of the Society's model methodology through inspection of model design documentation. • Independently implementing the Society's modelled ECL calculation, including recalculation of PDs, LGDs, EADs and overall ECL. • Performing sensitivity analysis to determine the impact of changes in key assumptions to the ECL provision. • Benchmarking assumptions to observable market data where applicable. With the support of EY credit risk modelling specialists, we assessed whether the SICR criteria used by the Society provided appropriate leading indicators of increased credit risk in the UK residential mortgage portfolio. We also independently tested whether the UK residential mortgage portfolio had been appropriately staged in line with the Society's stated criteria. With the support of EY economists, we assessed the base case and alternative macroeconomic scenarios through comparison to other scenarios from external sources and EY internally developed forecasts. This testing also included benchmarking of the probability weightings used by the Society. Having determined the appropriateness of the unemployment, GDP and property price forecasts and associated probability weightings, we assessed the reasonableness of the extent of non-linearity arising from the Society's model outputs. We assessed the completeness and appropriateness of PMAs using our knowledge and experience across the UK lending sector, and challenging the Society's rationale for new PMAs recorded in the year and the continued justifications for existing PMAs where relevant. With the involvement of our credit risk modelling specialists we tested material PMAs for reasonableness of estimation with reference to observable market data. We also tested the Society's incorporation of climate risk into the modelled ECL provision, and utilised external data to determine whether the impact of this had been reasonably estimated at 31 December 2024. We performed stand-back analysis to assess the overall adequacy of the UK residential ECL provisions. This included utilising our understanding of the Society and the UK residential mortgage market to perform analytical procedures, assessing whether any contradictory evidence had been obtained from other parts of the audit, and considering the Group and Society's provision coverage ratios in comparison to other lenders using available benchmarking data.

Key observations communicated to the Audit Committee

We communicated that we were satisfied that the Society's UK residential ECL provisions were reasonably estimated and materially in compliance with IFRS 9.

We highlighted to the Committee that there remains increased uncertainty in determining forecast losses due to the prevailing uncertain economic environment.

We highlighted to the Audit Committee that although we observed certain limitations in the Society's ECL models, the reported ECL was reasonable after incorporating appropriate PMAs, which in aggregate we considered to be reasonably estimated.

We considered the multiple economic scenarios, and associated weightings, incorporated in the IFRS 9 models to be materially appropriate.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group and Society to be £9.4 million, which is 5% of profit before tax, adjusted for the non-recurring expense associated to the Philips Trust Corporation voluntary financial support initiative, the cost of the Society's buy-back of Permanent Interest-Bearing Shares (PIBS) and an impairment loss related to the Head Office revaluation. We believe that adjusted profit before tax provides us with an appropriate basis for materiality given the users of the financial statements (including the Society's members and regulators) principally focus on pre-tax profit in assessing the Group and Society's performance. In 2023 the predecessor auditor adopted a materiality of £8.2 million for the Group and £8.1 million for the Society based on 0.5% of net assets.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £4.7 million. We set performance materiality at this percentage since this was a first year audit. In 2023 the predecessor auditor set performance materiality at £5.7 million, being 70% of planning materiality.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.5 million which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. In 2023 the predecessor auditor adopted a reporting threshold of £0.4 million.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other Information

The Other Information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the Other Information contained within the annual report.

Our opinion on the financial statements does not cover the Other Information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Year ended 31 December 2024

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

- The Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Building Societies Act 1986 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the Society; or
- The Group or Society financial statements are not in agreement with the accounting records; or
- We have not received all the information and explanations and access to documents we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and the Society's voluntary compliance with the provisions of the Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement are materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 153 and 154 of the Directors' Report;
- Directors' explanation as to its assessment of the Society's prospects, the period this assessment covers and why the period is appropriate set out on pages 153 and 154 of the Directors' Report;
- Directors' statement on fair, balanced and understandable set out on page 153 of the Directors' Report;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 41 to 44;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out in the Board Risk Committee (BRC) Report on pages 133 to 135; and;
- The section describing the work of the Audit Committee set out on page 126.

Directors' Remuneration Report

The Society voluntarily prepares a Report of the Directors on remuneration in accordance with the provisions of the Companies Act 2006. The directors have requested that we audit the part of the Report of the Directors on remuneration specified by the Companies Act 2006 to be audited as if the Society were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 153 of the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and the Building Societies Act 1986.
- We understood how the Group and Society are complying with those frameworks by attending the Society's Audit Committee, making enquiries of management, internal audit, and those responsible for legal and compliance matters. We inquired as to any known instances of non-compliance or suspected non-compliance with laws and regulations. We also reviewed correspondence between the Group and UK regulatory bodies and reviewed minutes of the board and BRC. We also reviewed the Society's Whistleblowing Policy and reports.
- We assessed the susceptibility of the Group and the Society's financial statements to material misstatement, including how fraud might occur by holding discussions with senior management, those charged with governance, Internal Audit and the Audit Committee.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of legal counsel, executive management, Internal Audit, and focused testing on areas of key judgement and estimation, as referred to in the Key Audit Matters section above.
- The Group and Society operate in the financial services sector which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **frc.org.uk/auditorsresponsibilities.** This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Society on 18 April 2024 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 31 December 2024.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven Robb (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

27 February 2025

Income Statements

For the year ended 31 December 2024

	Notes	**Group 2024 £M**	Group 2023 £M	**Society 2024 £M**	Society 2023 £M
Interest receivable and similar income					
Accounted for using effective interest rate method*	3	**1,283.6**	947.3	**1,279.9**	946.7
Other	3	**308.5**	316.3	**304.1**	313.8
Total interest receivable and similar income		**1,592.1**	1,263.6	**1,584.0**	1,260.5
Interest payable and similar charges	4	**(1,229.2)**	(926.0)	**(1,221.4)**	(923.1)
Net interest receivable		**362.9**	337.6	**362.6**	337.4
Fees and commissions receivable		**5.1**	5.2	**5.1**	5.2
Fees and commissions payable		**(0.6)**	(0.8)	**(0.3)**	(0.6)
Fair value gains/(losses) from financial instruments	5	**10.3**	(6.7)	**6.0**	(16.0)
Other operating (expense)/income	24	**(22.1)**	22.2	**(21.4)**	22.5
Total income		**355.6**	357.5	**352.0**	348.5
Administrative expenses	6	**(185.4)**	(159.9)	**(185.4)**	(159.9)
Depreciation and amortisation	16,17	**(10.6)**	(9.1)	**(10.6)**	(9.1)
Impairment release/(charge) on loans and advances to customers	8	**5.7**	(6.1)	**5.7**	(6.1)
Impairment of property, plant and equipment and intangible assets	16,17	**(17.5)**	(0.2)	**(17.5)**	(0.2)
Provisions charge	22	**(10.3)**	(0.7)	**(10.3)**	(0.7)
Operating profit and profit before tax		**137.5**	181.5	**133.9**	172.5
Tax expense	9	**(37.6)**	(47.6)	**(36.2)**	(45.3)
Profit for the financial year		**99.9**	133.9	**97.7**	127.2

All amounts relate to continuing operations.

The notes on pages 170 to 220 form part of these accounts.

* IAS 1 requires separate presentation in the Income Statement of interest receivable that is calculated using the effective interest method.
The comparatives for 31 December 2023 have been taken from the notes to the accounts.

Statements of Comprehensive Income

For the year ended 31 December 2024

	Notes	**Group 2024 £M**	Group 2023 £M	**Society 2024 £M**	Society 2023 £M
Profit for the financial year		**99.9**	133.9	**97.7**	127.2
Items that may subsequently be reclassified to profit and loss:					
Fair value gains recorded in cash flow hedge reserve		**19.1**	15.0	**19.1**	15.0
Gains previously recorded in cash flow hedge reserve amortised through profit or loss		**(27.9)**	(26.7)	**(27.9)**	(26.7)
Fair value (losses)/gains on investment securities measured at fair value through other comprehensive income		**(18.1)**	13.4	**(18.1)**	13.4
(Gains)/losses on investment securities measured through other comprehensive income reclassified to profit or loss on disposal		**(1.3)**	1.4	**(1.3)**	1.4
Tax relating to items that may subsequently be reclassified		**7.0**	0.5	**7.0**	0.5
Effect of change in corporation tax rate		**0.8**	0.1	**0.8**	0.1
Items that may not subsequently be reclassified to profit and loss:					
Actuarial gain/(loss) on retirement benefit surplus	25	**0.7**	(0.9)	**0.7**	(0.9)
Change in asset ceiling on retirement benefits	25	**(4.2)**	–	**(4.2)**	–
Tax relating to items that may not be reclassified		**0.9**	–	**0.9**	–
Effect of change in corporation tax rate		**0.1**	(0.1)	**0.1**	(0.1)
Total comprehensive income for the year		**77.0**	136.6	**74.8**	129.9

Statements of Financial Position

For the year ended 31 December 2024

	Notes	Group 2024 £M	Group 2023 £M	Society 2024 £M	Society 2023 £M
Assets					
Liquid assets					
Cash in hand and balances with the Bank of England	11	**2,443.2**	2,830.0	**2,443.2**	2,830.0
Loans and advances to credit institutions	11	**152.3**	213.7	**15.2**	109.2
Investment securities	12	**3,950.0**	2,515.6	**3,950.0**	2,515.6
Derivative financial instruments	31	**371.1**	443.6	**371.1**	443.6
Loans and advances to customers	13				
Loans fully secured on residential property		**24,402.7**	21,782.9	**24,402.7**	21,782.9
Other loans		**147.8**	158.3	**147.8**	158.3
Fair value adjustment for hedged risk on loans and advances to customers		**(173.1)**	(132.3)	**(173.1)**	(132.3)
Other assets, prepayments and accrued income	14	**238.1**	224.1	**444.5**	431.8
Current tax assets		**–**	9.8	**–**	9.8
Deferred tax assets	26	**–**	3.0	**–**	3.0
Intangible assets	16	**35.1**	29.8	**35.1**	29.8
Property, plant and equipment	17	**45.4**	64.5	**45.4**	64.5
Retirement benefit surplus	25	**–**	2.9	**–**	2.9
Total assets		**31,612.6**	28,145.9	**31,681.9**	28,249.1
Liabilities					
Shares	18	**24,529.8**	20,793.0	**24,529.8**	20,793.0
Fair value adjustment for hedged risk on shares		**8.8**	31.9	**8.8**	31.9
Derivative financial instruments	31	**98.0**	233.0	**117.2**	232.8
Amounts owed to credit institutions		**1,244.2**	1,869.3	**1,244.2**	1,869.3
Amounts owed to other customers	19	**159.3**	169.9	**791.1**	521.6
Debt securities in issue	20	**3,131.7**	2,708.6	**2,495.6**	2,361.0
Other liabilities and accruals	21	**347.3**	300.2	**416.0**	410.2
Current tax liabilities		**0.6**	–	**0.6**	–
Deferred tax liabilities	26	**25.6**	38.4	**21.1**	35.3
Provisions for liabilities and charges	22	**4.2**	1.3	**4.2**	1.3
Retirement benefit obligation	25	**0.5**	–	**0.5**	–
Subordinated liabilities	23	**334.2**	323.9	**334.2**	323.9
Subscribed capital	24	**8.0**	33.0	**8.0**	33.0
Total liabilities		**29,892.2**	26,502.5	**29,971.3**	26,613.3
General reserve		**1,647.2**	1,548.5	**1,637.4**	1,540.9
Cash flow hedge reserve		**66.6**	74.3	**66.6**	74.3
Fair value reserve		**(9.3)**	4.7	**(9.3)**	4.7
Revaluation reserve		**1.6**	1.6	**1.6**	1.6
Other reserve		**14.3**	14.3	**14.3**	14.3
Total liabilities and equity		**31,612.6**	28,145.9	**31,681.9**	28,249.1

The accounts on pages 165 to 220 were approved by the board of directors on 27 February 2025.

Signed on behalf of the board of directors by:

Iain Cornish
Chair

Richard Fearon
Chief Executive Officer

Andrew Conroy
Chief Financial Officer

Statements of Changes in Members' Interest

For the year ended 31 December 2024

Group 2024	**General reserve £M**	**Cash flow hedge reserve £M**	**Fair value reserve £M**	**Revaluation reserve £M**	**Other reserve* £M**	**Total equity attributable to members £M**
At 1 January 2024	**1,548.5**	**74.3**	**4.7**	**1.6**	**14.3**	**1,643.4**
Comprehensive income/(expense) for the year	**98.7**	**(7.7)**	**(14.0)**	**–**	**–**	**77.0**
At 31 December 2024	**1,647.2**	**66.6**	**(9.3)**	**1.6**	**14.3**	**1,720.4**

Group 2023	General reserve £M	Cash flow hedge reserve £M	Fair value reserve £M	Revaluation reserve £M	Other reserve* £M	Total equity attributable to members £M
At 1 January 2023	1,415.3	81.3	(5.9)	1.8	14.3	1,506.8
Comprehensive income/(expense) for the year	133.2	(7.0)	10.6	(0.2)	–	136.6
At 31 December 2023	1,548.5	74.3	4.7	1.6	14.3	1,643.4

Society 2024	**General reserve £M**	**Cash flow hedge reserve £M**	**Fair value reserve £M**	**Revaluation reserve £M**	**Other reserve* £M**	**Total equity attributable to members £M**
At 1 January 2024	**1,540.9**	**74.3**	**4.7**	**1.6**	**14.3**	**1,635.8**
Comprehensive income/(expense) for the year	**96.5**	**(7.7)**	**(14.0)**	**–**	**–**	**74.8**
At 31 December 2024	**1,637.4**	**66.6**	**(9.3)**	**1.6**	**14.3**	**1,710.6**

Society 2023	General reserve £M	Cash flow hedge reserve £M	Fair value reserve £M	Revaluation reserve £M	Other reserve* £M	Total equity attributable to members £M
At 1 January 2023	1,414.4	81.3	(5.9)	1.8	14.3	1,505.9
Comprehensive income/(expense) for the year	126.5	(7.0)	10.6	(0.2)	–	129.9
At 31 December 2023	1,540.9	74.3	4.7	1.6	14.3	1,635.8

*Other reserve relates to the 2006 merger with Mercantile Building Society.

Statements of Cash Flows

For the year ended 31 December 2024

	Group 2024 £M	Group 2023 £M	**Society 2024 £M**	Society 2023 £M
Profit before tax	**137.5**	181.5	**133.9**	172.5
Adjusted for:				
Impairment (release)/charge	**(5.7)**	6.1	**(5.7)**	6.1
Provisions charge	**10.3**	0.7	**10.3**	0.7
Depreciation and amortisation	**10.6**	9.1	**10.6**	9.1
Impairment of property, plant and equipment and intangible assets	**17.5**	0.2	**17.5**	0.2
Fair value of collateral loan which represents a pool of equity release mortgages	**7.6**	6.9	**7.6**	6.9
Non-cash and other items	**11.2**	(25.4)	**9.8**	(30.6)
Cash generated from operations	**189.0**	179.1	**184.0**	164.9
Changes in operating assets and liabilities:				
Derivative financial instruments	**(33.1)**	(46.6)	**(21.4)**	(44.4)
Loans and advances to customers	**(2,611.2)**	(1,461.0)	**(2,611.2)**	(1,461.0)
Loans and advances to credit institutions	**77.8**	(7.1)	**77.8**	(7.1)
Other operating assets	**(12.9)**	24.2	**(11.7)**	16.1
Shares	**3,736.8**	3,272.6	**3,736.8**	3,272.6
Amounts owed to credit institutions and other customers	**(635.7)**	(458.9)	**(355.6)**	(282.2)
Other operating liabilities	**41.0**	(284.5)	**(0.1)**	(219.4)
Taxation paid	**(28.2)**	(49.6)	**(28.2)**	(49.6)
Net cash flows from operating activities	**723.5**	1,168.2	**970.4**	1,389.9
Cash flows from investing activities				
Purchase of investment securities	**(5,124.3)**	(2,882.9)	**(5,124.3)**	(2,882.9)
Proceeds from sale and redemption of investment securities	**3,689.3**	1,774.0	**3,689.3**	1,840.2
Purchase of intangible assets	**(12.4)**	(12.5)	**(12.4)**	(12.5)
Purchase of property, plant and equipment	**(3.0)**	(1.9)	**(3.0)**	(1.9)
Net cash flows from investing activities	**(1,450.4)**	(1,123.3)	**(1,450.4)**	(1,057.1)
Cash flows from financing activities				
Net proceeds from issue of debt securities	**910.1**	350.2	**560.2**	0.4
Repayments of debt securities in issue	**(503.8)**	(379.9)	**(433.4)**	(269.9)
Repayments of subscribed capital	**(48.4)**	(171.2)	**(48.4)**	(171.2)
Principal lease payments	**(1.4)**	(1.4)	**(1.4)**	(1.4)
Net cash flows from financing activities	**356.5**	(202.3)	**77.0**	(442.1)
Net decrease in cash and cash equivalents	**(370.4)**	(157.4)	**(403.0)**	(109.3)
Cash and cash equivalents at the beginning of the year	**2,965.9**	3,123.3	**2,861.4**	2,970.7
Cash and cash equivalents at the end of the year	**2,595.5**	2,965.9	**2,458.4**	2,861.4
Additional information on operational cash flows from interest				
Interest paid	**1,164.7**	784.9	**1,137.1**	780.0
Interest received	**1,283.6**	947.3	**1,279.9**	946.7

Notes to the Accounts

Year ended 31 December 2024

1. Accounting policies

(a) Basis of preparation

The Group and Society financial statements are prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) that are applicable.

The Group prepares its accounts under the historical cost convention except for the valuation of financial assets and liabilities held at fair value through other comprehensive income or fair value through profit or loss including all derivative financial instruments, and certain freehold and long leasehold properties. As stated in the Directors' Report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. Please refer to page 153 to 154 for further details of the directors assessment.

The particular accounting policies adopted are described below and the policies, presentation and methods of computation are consistent with those applied by the Group in the prior year, except where otherwise indicated. During the year we have adopted hedge accounting requirements within IFRS 9 *Financial Instruments* for micro fair value hedges and the macro cash flow hedge.

These financial statements are presented in sterling and, except where otherwise indicated, have been rounded to the nearest one hundred thousand pounds.

(b) Accounting developments

In April 2024, the International Accounting Standard Board (IASB) issued IFRS 18 *Presentation and Disclosure in Financial Statements* which replaces IAS1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

IFRS 18 is effective for reporting periods beginning on or after 1 January 2027. The Society is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Taxation

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) Pillar 2 Model Rules. In July 2023 the Pillar 2 legislation was enacted in the UK, the jurisdiction in which the Group operates. The Pillar 2 legislation came into effect for accounting periods beginning on or after 31 December 2023. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes, as provided in the amendments to IAS 12 *Income Taxes* issued in May 2023.

Within Pillar 2, the Global Anti-Base Erosion (GloBE) rules are designed to ensure large multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction where they operate. Where the legislation applies, a group is liable to pay a top-up tax for the difference between its GloBE effective tax rate (ETR) and the 15% minimum rate on a jurisdictional basis. Based on an assessment of the current period, all entities within the group are expected to have an ETR that exceeds 15%. Therefore, there is not expected to be a top-up tax charge on the Group where the legislation does apply, although this is based on estimated calculations, as the Group is currently engaged with tax specialists to develop a detailed application of the rules, and will depend upon the financial results at the time of each assessment. The Group will therefore continue to review this position at each reporting date.

(c) Basis of consolidation

The Society does not have a parent or controlling entity. The Group accounts consolidate the accounts of the Society, its subsidiaries and those entities over which it is deemed to have control, as listed in note 15. Uniform accounting policies are applied throughout the Group. Intragroup transactions are eliminated upon consolidation.

(d) Financial instruments

(i) Classification and measurement

Financial assets

In accordance with IFRS 9, the Group has classified its financial assets with reference to both the Group's business model for managing the assets and the contractual cash flow characteristics of the assets. The Group's financial assets have been classified into the following categories:

1. Accounting policies (continued)

(d) Financial instruments (continued)

(i) Classification and measurement (continued)

- **At amortised cost**
  These are assets for which the business model is to hold the asset and collect the contractual cash flows, and those cash flows are solely payments of principal and interest. This means that cash flows typically occur on pre-determined dates and that interest primarily reflects the time value of money, compensation for credit risk and a profit margin.

  The Group has classified the following assets as 'at amortised cost': cash in hand and balances with the Bank of England, loans and advances to credit institutions and loans and advances to customers, with the exception of a collateral loan which represents a pool of equity release mortgages purchased from a third party for which some but not all risks were transferred to the Group.

  Assets held at amortised cost are initially recorded at fair value (usually transaction price) plus any directly attributable costs. They are subsequently measured using the EIR method less provisions for impairment.

- **At fair value through other comprehensive income (FVOCI)**
  These are categories of assets for which the business model is to hold the asset and collect the contractual cash flows or to sell the assets. The contractual cash flows must be solely payments of principal and interest. The Group holds investment securities in order to meet current and future liquidity requirements, and these are considered to meet the definition of the hold or sell business model. They are therefore classified as 'at FVOCI', apart from those assets for which the cash flows are not solely payments of principal and interest, as noted below.

  These assets are initially recognised at fair value adjusted for any attributable costs. Subsequent changes in fair value are recognised in other comprehensive income, except for impairment losses which are recognised in profit or loss. Upon derecognition, any accumulated movements in fair value previously recognised in equity are reclassified to profit or loss in the Income Statement.

  Premia and discounts arising on the purchase of assets held at FVOCI are spread over the life of the asset using the EIR method.

- **At fair value through profit or loss (FVTPL)**
  Assets for which the business model is neither to hold or to hold or sell, or those for which contractual cash flows are not solely payments of principal and interest, are classified as 'at FVTPL'. The Group has classified the collateral loan which represents a pool of equity release mortgages as 'at FVTPL' since the underlying contract with the member contains a 'no negative equity guarantee' that any shortfall arising on the sale of the property securing the mortgage will not be pursued.

  IFRS 9 mandates that derivative financial instruments are classified as 'at FVTPL'.

  Instruments classified as 'at FVTPL' are initially recognised at fair value and any subsequent changes in fair value are recognised immediately in the Income Statement. The exception to this is for those derivative financial instruments designated in cash flow hedge accounting relationships, where the effective portion of any changes in fair value is recognised in other comprehensive income (see note 1(d)(iv)).

Financial liabilities
All financial liabilities are classified as 'at amortised cost', with the exception of derivative financial instruments which under IFRS 9 are mandatorily classified as 'at FVTPL'.

Financial liabilities are initially recorded at their fair value, and those to be measured at amortised cost are subsequently measured using the EIR method. The premia and discounts, together with commissions and other costs incurred in the raising of wholesale funds and subordinated liabilities, are amortised over the period to maturity using the EIR method. Those liabilities measured 'at FVTPL' are initially recognised at fair value and any subsequent changes in fair value are recognised immediately in the Income Statement apart from for those instruments designated in cash flow hedge accounting relationships, as above.

(ii) Sale and repurchase agreements
Investments and other securities may be lent or sold subject to a commitment to repurchase them (a 'repo'). Such securities are retained on the Statement of Financial Position when substantially all of the risks and rewards of ownership remain within the Group, and the counterparty liability is included separately on the Statement of Financial Position as appropriate. Where applicable, the difference between sale and repurchase price is accrued over the life of the agreement using the EIR method.

Year ended 31 December 2024

1. Accounting policies (continued)

(d) Financial instruments (continued)

(iii) Recognition and derecognition of financial assets and liabilities
Purchases and sales of financial assets are recognised at settlement date.

Financial assets are only derecognised when the contractual rights to receive cash flows from them have expired or when the Group has transferred substantially all risks and rewards of ownership. Within the accounts, the Society has not derecognised the mortgage loans which have been used to secure the issue of debt securities as substantially all the risks and rewards are retained by the Society and the Society retains control of the assets.

Financial liabilities are only derecognised when the obligation is discharged, cancelled or has expired.

(iv) Derivative financial instruments and hedge accounting
During the financial year the Group continued to apply the IAS 39 hedge accounting standards for its macro fair value hedges, as permitted by IFRS 9. The Group elected to adopt IFRS 9 hedge accounting requirements for the accounting of the micro fair value hedges and the macro cash flow hedge.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured monthly at their fair value. The need for credit valuation adjustments is considered in the determination of the fair value of derivatives. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

All derivatives are entered into by the Group for the purpose of providing an economic hedge; however certain criteria must be met before the instruments can be allocated to accounting hedge relationships. The Group makes use of accounting hedges to reduce volatility in the Income Statement. If derivatives are not designated in accounting hedges, then changes in fair values are recognised immediately in the Income Statement.

A fair value hedge is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate mortgages and savings products. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the relationship is de-designated and the adjustment to the carrying amount of the hedged item is amortised to the Income Statement over the period to maturity.

For the purposes of the fair value liability hedge, the Group includes fixed rate ISAs in the population of products eligible for inclusion in the hedge as permitted under the 'carve out' applied when IAS 39 was adopted for use in the European Union and subsequently transposed into IFRS as adopted by the UK.

The Group applies macro cash flow hedge accounting to a portion of its floating rate financial liabilities which are designated in the hedge alongside interest rate swaps that have been transacted to economically hedge mortgage applications, prior to completion of the mortgage. Where a derivative financial instrument is designated in a macro cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and recycled to the Income Statement over the life of the forecast transaction. The effective portion recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis. Any ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss immediately.

To the extent that the hedge is effective, unrealised fair value gains and losses on cash flow hedging derivatives are recognised in the cash flow hedging reserve.

If the forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss recognised in equity is then recognised immediately in the Income Statement.

(v) Offsetting
Financial assets and financial liabilities are offset, and the net amount presented within the Statement of Financial Position when, and only when, the Group has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group has entered into ISDA master netting agreements for its derivatives. The ISDA master netting agreements grant a legal right of offset for transactions with the same counterparty but this does not necessarily result in an offset of financial assets and liabilities within the Statement of Financial Position, as transactions can be settled on a gross basis.

(e) Impairment of financial assets

Impairment losses are calculated for all financial assets held at amortised cost or at FVOCI. Loss provisions are also held against undrawn loan commitments, where a loan offer has been issued to a member and remains unexpired, but the loan has not yet completed and so has not yet been recognised in the Statement of Financial Position.

1. Accounting policies (continued)

(e) Impairment of financial assets (continued)

Impairment loss provisions are calculated to cover future losses expected to emerge over a defined time period, dependent on the stage allocation of the individual asset, as set out below. This approach to impairment losses is known as the ECL basis.

- Stage 1 – assets are allocated to this stage on initial recognition and remain in this stage if there has not been a significant increase in credit risk since initial recognition. Impairment losses are recognised to cover 12-month ECL, being the proportion of lifetime ECL arising from default events expected within 12 months of the reporting date.
- Stage 2 – assets where it is determined that there has been a significant increase in credit risk since initial recognition, but where there is no objective evidence of impairment. Impairment losses are recognised to cover lifetime ECL.
- Stage 3 – assets where there is objective evidence of impairment, i.e. they are considered to be in default or in the cure period following default (see below for full definition of default). Impairment losses are recognised to cover lifetime ECL.

Assets continue to be recognised, net of impairment loss provisions, until there is no reasonable prospect of recovery, which is generally at the point at which the property securing the loan is sold. If a loss is ultimately realised, it is written off against the provision previously made. Any subsequent recoveries are recognised directly in the Income Statement as a credit to impairment, as they arise.

(i) Impairment of loans and advances to customers
The primary driver in determining whether an individual loan has had a significant increase in credit risk is a quantitative assessment of the increase in lifetime PD. At each reporting date, lifetime PD is recalculated and compared to the lifetime PD calculated on initial recognition. The loan is allocated to Stage 2 if the lifetime PD has increased over a pre-determined threshold which is set using a test-based approach and expressed as a percentage increase, segmented by product type and risk banding at the date of initial recognition.

In addition to the above, qualitative criteria have been set such that loans which are considered to have a significantly increased credit risk but would not be captured above are moved to Stage 2. These qualitative criteria include loans which have reached the end of their contractual term and loans where the member has been identified as bankrupt but is not in arrears. A backstop is also in place such that all loans which are 30 days past due are moved to Stage 2.

Definition of default: An Individual loan is considered to be in default and is allocated to Stage 3 if the loan is more than 90 days past due, is subject to certain forbearance activities, is in possession, meets 'unlikely to pay' criteria or if the member has been identified as bankrupt and is in arrears by more than a nominal amount. A cure period is in place such that the loan would move back out of Stage 3 if the loan exits default and remains not in default for more than 12 months or, for loans subject to forbearance, if 12 consecutive full payments are made after the forbearance activity has completed. The Group's definition of default aligns to the regulatory definition under the IRB approach for capital requirements.

ECL is calculated by multiplying LGD, PD and exposure at default (EAD). Each element of the calculation is modelled at individual account level on a monthly basis over the remaining contractual term of the loan, with the first 12 months totalled to obtain the 12 month ECL and the lifetime ECL obtained by totalling the above over the full contractual life of the loan. Modelling assumptions are based on historical data analysis of the impact of economic variables on loan behaviour. These assumptions are then applied to the forecast economic scenarios to predict future loan behaviour.

The overall ECL recorded in the financial statements is calculated as the probability weighted ECL over a range of possible forecasted macroeconomic scenarios.

The Group utilises a wide range of forbearance strategies to support members in financial difficulty, working with members on a case by case basis to determine the most suitable approach. The implementation of a forbearance strategy does not give rise to the derecognition of the loan.

PMAs: PMAs are applied to modify the level of impairment loss provisions from that calculated by the detailed models used to determine ECL. They are used where there is a material risk that is not adequately captured within modelled ECL as a result of a lack of historical data with which to model or due to ongoing uncertainty. Judgement is required in determining whether a PMA should be used and the appropriate quantum of the adjustment. All PMAs are subject to approval by Credit Committee and must be reviewed and reapproved at least annually.

At 31 December 2024, the total recognised as a result of the PMAs used by the Group was £15.5 million (2023: £20.8 million). Further details are provided in note 2(b)(i).

Year ended 31 December 2024

1. Accounting policies (continued)

(e) Impairment of financial assets (continued)

(ii) Impairment of liquid assets
The Group reviews the external credit ratings of its liquid assets (cash in hand and balances with the Bank of England, loans and advances to credit institutions and investment securities) at each reporting date. Those assets which are of investment grade (external credit rating of Aaa to Baa3 or equivalent) are considered to have low credit risk and therefore are assumed to have not had a significant increase in credit risk since initial recognition, as allowed by IFRS 9. Liquid assets which are not of investment grade are assessed on an individual basis.

ECL is calculated by multiplying LGD, PD and EAD. LGD is calculated based on publicly available data on historic recovery rates by product and PDs are similarly based on public information and analysis performed by third parties to derive PDs for similar products.

(f) Interest receivable and payable and similar income and charges

Interest income and expense on all financial instruments are recognised in interest receivable or payable in the Income Statement. Interest income and expense are calculated using the EIR method for financial assets and liabilities held at amortised cost and classified as 'at FVOCI'.

The EIR method is a method of allocating the interest income or interest expense to the carrying value over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts, over the expected life of the financial instrument, to the net carrying amount of the instrument.

Specifically, for mortgage assets with a fixed interest rate period, the effect of this policy is to spread over the fixed term (or shorter period, if deemed appropriate) the impact of cashbacks, arrangement and valuation fees, early redemption charges and costs directly attributable and incremental to setting up the loan . Expected lives of mortgage assets are reassessed at each Statement of Financial Position date and any changes are reflected in the EIR calculation, resulting in an immediate gain or loss in the Income Statement. For investment securities, the EIR method spreads any premia or discounts arising on the purchase of the asset over the period to the maturity date of the asset.

Interest received on the collateral loan and investment securities classified as 'at FVTPL' is recognised within 'Interest receivable and similar income'. Amounts accrued and settled in relation to coupon payments and receipts which are contractually due on derivative financial instruments are recognised within 'Interest receivable and similar income' for all derivatives which are economic hedges of financial assets, regardless of whether or not they are in an accounting hedge relationship, and within 'Interest payable and similar charges' for all derivatives which are economic hedges of financial liabilities. All other movements in the fair value of assets held 'at FVTPL' are recognised through 'Fair value gains less losses from financial instruments'.

(g) Fees and commissions receivable

Fees and commissions are earned on referral of members to third-party service providers. The Group's performance obligation is satisfied at the point of referral and income is recognised at the point commission is received. Commission received by the Group from third parties may be required to be repaid at a later date if certain policies are cancelled.

(h) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised to the extent it is probable that expected future economic benefits will flow from it and the costs can be measured reliably. Intangible assets primarily arise from IT development activity and the cost of the asset includes both external costs, such as software licences and IT development services, and the costs of Group colleagues directly involved in the development of the asset.

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment. Amortisation of such assets is charged to the Income Statement on a straight-line basis over the useful life of the asset once it is ready for use. Useful lives of intangible assets are assessed on an individual asset basis and are reviewed at each Statement of Financial Position date. Upon initial recognition, the Group generally applies the following useful lives:

New core systems – 10 years
System enhancements or non-core additions – 5 years

Intangible assets are reviewed for impairment at each Statement of Financial Position date or when there is an indication of impairment. Impairment occurs when the economic benefits arising from the asset are lower than its carrying amount. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs of disposal and value in use, calculated using the discounted cash flow method. Any impairment in the value of these assets is recognised immediately as an expense in the Income Statement.

1. Accounting policies (continued)

(i) Property, plant and equipment

Freehold and long leasehold properties are revalued every three years by an independent firm of valuers. The fair value of the properties is determined from market-based evidence reflecting the property's highest and best use. Any increase in value is recognised through other comprehensive income in the revaluation reserve, unless the increase represents the reversal of a previous impairment, in which case it is recognised through the Income Statement. Any reduction in value is recognised through other comprehensive income as the reversal of previous revaluation gains or as an impairment through the Income Statement if no such gains exist.

No provision is made for depreciation of freehold and long leasehold properties as, in the opinion of the board, their residual value will not be materially different to their carrying value.

All other items of property, plant and equipment are initially recognised at cost and then depreciated. Depreciation is calculated on a straight line basis, to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Short leasehold properties	Unexpired lease term
Improvements to properties	8 to 10 years
Office and computer equipment	3 to 5 years

Property, plant and equipment are reviewed annually for indications of impairment. Impairment losses are recognised immediately as an expense in the Income Statement.

(j) Leases

The Group classifies all contracts which give the right to control the use of an identified asset for a period of time in exchange for a consideration as leases.

(i) Lessee

At the commencement of a lease, the Group recognises a right-of-use asset within 'Property, plant and equipment' and a lease liability within 'Other liabilities and accruals' in the Statement of Financial Position. The lease liability is initially measured at the present value of all contractual payments that are unpaid at the commencement date, discounted using the Group's cost of borrowing at the date of inception of the lease. The calculation of the lease liability reflects the Group's judgement as to whether it will exercise a purchase, extension or termination option. For leases of land and buildings, the Group has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

Interest is charged on the lease liability at the Group's cost of wholesale borrowing at the date of inception of the lease and recorded in 'Interest payable and similar charges' within the Income Statement.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at an amount equal to the lease liability. It is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term (or the end of the estimated useful life for the equivalent item of property, plant and equipment if shorter). Right-of-use assets are reviewed annually for indications of impairment. Impairment losses are recognised immediately as an expense in the Income Statement.

No right-of-use asset or lease liability is recognised for leases with a lease term of less than 12 months and leases of low value items. Lease payments associated with these leases are recognised within administrative expenses on a straight-line basis over the lease term.

(ii) Lessor

All of the Group's leases where the Group acts as a lessor are classified as operating leases. The Group recognises lease payments received under operating leases in line with receipt of payments, within 'Other operating income'.

(k) Retirement benefits

(i) Defined contribution pension scheme

Payments to defined contribution retirement benefit schemes are recognised as an expense in the Income Statement as they fall due.

(ii) Defined benefit pension scheme

Reported within the Statement of Financial Position is the Group's defined benefit pension scheme obligation, which represents the fair value of scheme assets less the present value of the defined benefit obligation. Where the fair value of the scheme assets exceeds the present value of the obligation, the amount that may be reported on the Statement of Financial Position is capped at the asset ceiling.

Year ended 31 December 2024

1. Accounting policies (continued)

(k) Retirement benefits (continued)

(ii) Defined benefit pension scheme (continued)
Remeasurement of the defined benefit pension scheme obligation, which comprises of actuarial gains and losses, the effect of the asset ceiling (excluding interest), and the return on plan assets (excluding interest income), is recognised immediately in the Statement of Financial Position with a corresponding debit or credit to retained earnings through other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Also included within the Group's defined benefit pension scheme obligation is the unfunded present value of the arrangement relating to one sole member of an Employer-Financed Retirement Benefits Scheme, whose benefits are still in payment.

(l) Tax

Tax on the profits for the period comprises current tax and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the Statement of Financial Position date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised where there is a temporary difference between the carrying amount of assets and liabilities in the Statement of Financial Position and the amounts used for the calculation of corporation tax. Deferred tax liabilities are generally recognised for all taxable temporary differences apart from those arising on investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the Statement of Financial Position date.

(m) Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the appropriate rates of exchange prevailing at the Statement of Financial Position date and exchange differences are included in the Income Statement. All foreign currency income and expense is translated into sterling at the rate of exchange on the day of receipt or payment.

(n) Segmental reporting

The Group's chief operating decision maker has been identified as the CEO, who reviews the Group's internal reporting and is responsible for all significant decisions. The Group has determined that it has one reportable segment under IFRS 8 *Operating Segments* as the CEO reviews performance and makes decisions on the Group as a whole. Therefore, no separate segmental reporting note has been provided.

2. Critical accounting estimates and judgements

The preparation of these financial statements involves making judgements in the application of accounting policies which affect the amounts recognised in the financial statements. In addition, the Group makes estimates and assumptions which could affect the reported amounts of assets and liabilities in the next financial year and beyond.

The Group reviews all critical judgements and estimates on a regular basis, including approval by the Audit Committee as explained on pages 125 to 128, to ensure that these remain appropriate. The critical judgements and estimates which have a significant impact on the financial statements of the Group are described below.

(a) Critical judgements

(i) Classification of financial assets
Management judgement is applied in the classification of financial assets in determining the business model for managing the assets and in determining whether the contractual cash flows are solely payments of principal and interest. For retail mortgages, it has been determined that term extensions and forbearance activity are not contractual so do not impact on the assessment and such assets remain held at amortised cost.

In the case of the collateral loan which represents a pool of equity release mortgages, the existence of the no negative equity guarantee (which means that certain receipts would be foregone in the event of a shortfall on sale) is judged not to be consistent with payments being solely principal and interest. The 'no negative equity' feature of the equity release mortgages could be considered to represent an insurance contract, but the accounting standards permit the continued application of IFRS 9 to this type of loan following the publication of IFRS 17 *Insurance Contracts*. The collateral loan is therefore classified under IFRS 9 as a financial instrument measured 'at FVTPL'.

2. Critical accounting estimates and judgements (continued)

(a) Critical judgements (continued)

(ii) Impairment of loans and advances to customers

Significant increase in credit risk

As described in note 1(e)(i), a test-based approach is used to determine the thresholds, expressed as a percentage increase, over which an increase in lifetime PD compared to the lifetime PD calculated on initial recognition represents a significant increase in credit risk. Management judgement is applied to determine the appropriate tests required to derive the thresholds. The tests, which have been applied consistently with the previous year, aim to move loans through the stages in a timely manner, so that loans move to Stage 2 in advance of falling into arrears and to Stage 3 in advance of default, thus minimising the reliance on the 30 days past due and 90 days past due backstops respectively.

Judgement is also applied in determining the qualitative criteria used to move loans to Stage 2. In particular, at 31 December 2024, loans which could be at risk of having a monthly shortfall, identified through the calculation of the affordability PMA, have been deemed to have had a significant increase in credit risk and thus have moved to Stage 2 or 3 (see page 173).

If all loans were assessed as having experienced a significant increase in credit risk and therefore provisions were recognised to cover lifetime ECL (i.e. all loans currently classified as Stage 1 were moved to Stage 2), impairment loss provisions at 31 December 2024 would increase modelled ECL by £13.8 million (2023: £14.9 million).

Definition of default

The definition of default is given in note 1(e)(i). Management has judged that the definition of default for impairment loss calculations should be aligned to the IRB regulatory definition of default. Further it is management's judgement that 12 months is the appropriate cure period for recovery from default.

Climate-related risks

Management has considered and reflected on the potential impact of climate-related risks on the Group's financial position and performance. The assessment highlighted a material impact on the Group's residential loan portfolio. To quantify the risk, Management performed an assessment over the Group's loan portfolio to evaluate whether the potential effects of physical and transitional risk of climate change would have a material impact on the Group's financial position as at 31 December 2024. This resulted in the recognition of an in-model adjustment of £1.7 million (31 December 2023: £0.6 million post model adjustment) which reflects the additional ECL that could potentially be incurred due to the physical risk of flooding or coastal erosion. The transitional risk element of climate change has been explored, specifically in relation to the potential impact of minimum EPC requirements on impairment loss provisions, however the current level of risk is immaterial. This is further supported by the limited information that is available in relation to future UK Government policies concerning minimum EPC requirements. Currently, the impact of climate-related risks on the Group is minimal, with the primary impact relating to ECL which is considered via the in-model adjustment. As future Government policies and economic and regulatory responses to climate-related risks continue to evolve, future impacts remain inherently uncertain and cannot be reliably incorporated into assessments at this stage.

(iii) Intangible assets

The Group applies judgement as to whether IT development activity results in an asset that qualifies for recognition as an intangible asset. For an asset to be recognised under IAS 38 *Intangible Assets* it must be probable that future economic benefits will flow from the asset and the cost of the asset must be able to be measured reliably. For each significant project undertaken by the Group, an assessment is performed by the relevant business area of whether a separately identifiable asset is being developed and the level of future benefits flowing from the asset.

Intangible assets are reviewed annually for indications of impairment, which includes the application of judgement as to whether it is probable that future economic benefits will be realised from the asset, and whether the value in use of the asset is in excess of the carrying value (see note 16 for further information).

(iv) Property, plant and equipment

Freehold and long leasehold premises are revalued on an open market, vacant possession basis every three years by an independent firm of valuers.

During the financial year, the Directors felt it appropriate to obtain an updated valuation for the Society's Head Office building, the previous valuation having been undertaken in December 2022, when market transaction activity was limited following the Covid-19 pandemic. During the period since then there has been a decline in the Leeds commercial property rental market and the latest valuation, which was undertaken in December 2024 and based on an open market, vacant possession scenario, resulted in a £16.3 million reduction in carrying value. The full amount has been recognised as impairment in the Income Statement.

The most recent valuation of the Group's branches was carried out at 31 December 2022 and it is management's judgement that the valuations obtained at 31 December 2022 appropriately reflect the fair value of these properties as at the date of the Statement of Financial Position.

Year ended 31 December 2024

2. Critical accounting estimates and judgements (continued)

(a) Critical judgements (continued)

(v) Leases

The application of the requirements of IFRS 16 *Leases* for leased assets requires the application of judgement as to whether a contract contains a lease. The Group has a multi-year service contract with a third party for the provision and maintenance of its IT infrastructure. It is management's judgement that this contract does not provide the Group with the right to control the use of an identified asset and therefore does not meet the definition of a lease under IFRS 16.

(b) Significant accounting estimates and assumptions

(i) Impairment losses on loans and advances to customers

Wherever possible, the calculation of impairment loss provisions for loans and advances to customers has been performed using statistical modelling. For the UK residential mortgage portfolio, PD is modelled based on analysis of how macroeconomic variables have impacted the performance of loans with similar credit risk characteristics historically. LGD is modelled based on projected house prices combined with analysis of historic experience of forced sale discounts.

The significant estimates required for the calculation of impairment loss provisions are forecast UK macroeconomic variables, the probability weightings of the macroeconomic scenarios used and the calculation of post model adjustments.

Macroeconomic scenarios and probability weightings

The Group has used four macroeconomic scenarios (2023: four), which are considered to represent a reasonable range of possible outcomes, in determining impairment loss provisions.

Scenarios are developed by the Group based on analysis of third-party published economic data and forecasts. The relative weighting of the macroeconomic scenarios is derived by determining the point in the economic cycle at which the UK economy sits at the date of the Statement of Financial Position. This indicates a possible range of outcomes for each scenario based on defined boundaries. Management judgement is then applied to determine the appropriate point within the ranges, informed by current relevant market, macroeconomic and political factors and the degree of uncertainty inherent in the UK economy.

The scenarios have been revised during the year to reflect an improvement in the UK's economic performance and this has been reflected in both the macroeconomic assumptions used in each scenario and a change to the probability weightings. The weighting attached to the alternative downside scenario has been reduced by 10% with a corresponding increase in the weighting placed on the growth scenario.

	31 Dec 2024	31 Dec 2023
Central scenario Central scenario reflecting stronger growth in the economy in later years as inflation drops back to target and households enjoy real wage growth. Economic growth in this scenario is further supported through gradual reductions in the BoE base rate (BBR) and increasing levels of government spending and investment. The scenario assumes that, as additional people return to the labour market, levels of unemployment increase slightly from current levels and then subsequently reduce as growth generates more employment opportunities in the later years.	**50%**	50%
Downside scenario Downside scenario as modelled in the Group's risk management process reflecting a '1 in 20' stress scenario, with weak consumer spending resulting in a reduction in gross domestic product (GDP), a rise in unemployment and reductions in house prices as demand falls due to weaker affordability. The scenario assumes that base rate initially rises to help reduce entrenched level of higher inflation, before being cut in order to tackle the effects of the would-be recession on the UK economy.	**25%**	25%
Alternative downside scenario Alternative scenario representing a more severe downturn than in the downside scenario. This initially has very high levels of persistent inflation resulting in a period of higher BBR to reduce demand, with the economy then subject to a further external shock resulting in sharp falls to consumer confidence, steep falls in demand, and falling growth. These conditions drive peak unemployment to 8.4%, with a fall in demand across the housing market, causing greater reductions in house prices in the earlier years of the forecast. As demand collapses, BBR is then reduced quickly to try and stimulate the economy.	**10%**	20%
Growth scenario Growth scenario representing a more optimistic view of the current economic outlook than assumed in the central scenario, including higher GDP as investment in AI drives an increase in productivity and has a positive impact on the unemployment rate. The scenario assumes that as inflation returns to target, further support comes from base rate being reduced to a long run rate of 3.0%.	**15%**	5%

2. Critical accounting estimates and judgements (continued)

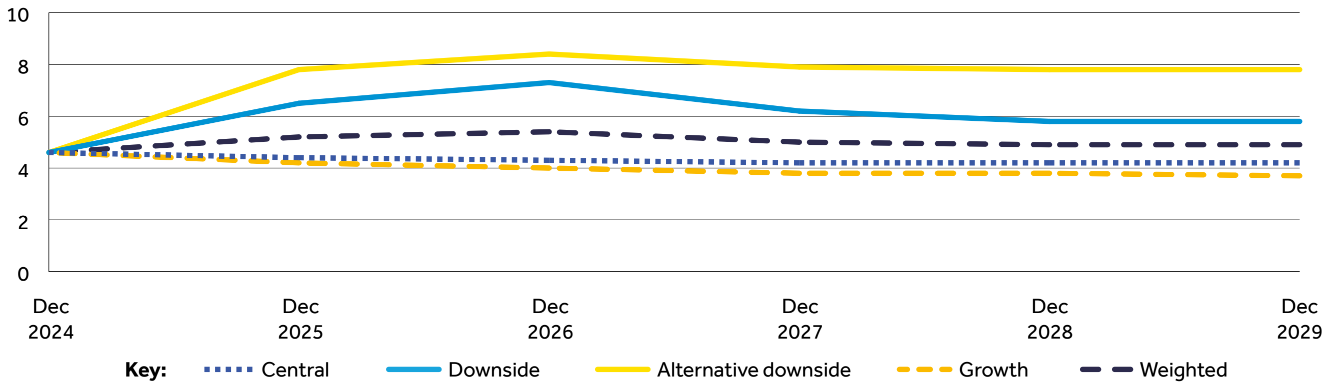
(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

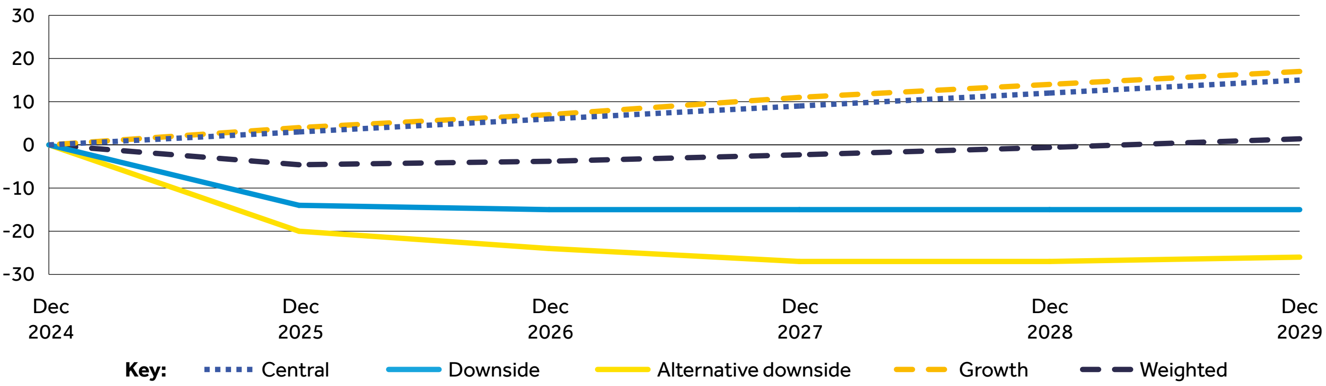
The tables on page 180 show the macroeconomic assumptions used in each scenario. The variables with the most significant impact on the calculated impairment loss provisions are house price inflation and unemployment rate. The tables show the full year rates for house price inflation and GDP growth, together with the year end position for unemployment rate and base rate. Beyond the five-year period shown, assumptions move towards historic long run averages over the following five years and then remain constant at these rates thereafter.

The charts below illustrate the unemployment assumptions and the cumulative impact of the annual house price inflation assumptions across all four scenarios.

Unemployment rate (%)



House prices (December 2024 = 0)



Year ended 31 December 2024

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

Macroeconomic assumptions as at 31 December 2024

Scenario/weighting	Assumption	2025 %	2026 %	2027 %	2028 %	2029 %
Central 50%	House price inflation	2.80	3.00	3.00	2.50	2.50
	Unemployment rate (31 December)	4.40	4.30	4.20	4.20	4.20
	Gross domestic product growth	1.50	1.60	1.60	1.60	1.50
	Base rate (31 December)	4.00	3.50	3.25	3.25	3.25
		Year 1	Year 2	Year 3	Year 4	Year 5
Downside 25%	House price inflation	(13.70)	(2.00)	0.00	0.00	1.00
	Unemployment rate (31 December)	6.50	7.30	6.20	5.80	5.80
	Gross domestic product growth	(0.75)	(1.25)	1.00	1.00	1.00
	Base rate (31 December)	6.00	3.00	0.75	0.25	0.25
Alternative downside 10%	House price inflation	(20.00)	(5.00)	(4.00)	0.00	1.00
	Unemployment rate (31 December)	7.80	8.40	7.90	7.80	7.80
	Gross domestic product growth	(0.20)	(4.20)	2.10	1.50	1.50
	Base rate (31 December)	6.50	4.50	1.00	0.10	0.10
Growth 15%	House price inflation	4.20	3.00	3.00	3.00	2.75
	Unemployment rate (31 December)	4.20	4.00	3.80	3.80	3.70
	Gross domestic product growth	1.90	2.20	2.20	2.20	2.10
	Base rate (31 December)	4.00	3.50	3.25	3.00	3.00
Weighted*	House price inflation	(3.40)	0.95	1.55	1.70	2.00
	Unemployment rate (31 December)	5.20	5.40	5.00	4.90	4.90
	Gross domestic product growth	0.80	0.40	1.60	1.50	1.50
	Base rate (31 December)	4.75	3.50	2.40	2.15	2.15

Macroeconomic assumptions as at 31 December 2023

Scenario/weighting	Assumption	2024 %	2025 %	2026 %	2027 %	2028 %
Central 50%	House price inflation	(6.50)	1.50	2.50	2.50	2.50
	Unemployment rate (31 December)	5.00	4.75	4.50	4.20	4.00
	Gross domestic product growth	(0.25)	0.75	1.00	1.50	1.50
	Base rate (31 December)	4.75	4.25	4.25	4.00	4.00
		Year 1	Year 2	Year 3	Year 4	Year 5
Downside 25%	House price inflation	(13.70)	(2.00)	0.00	0.00	1.00
	Unemployment rate (31 December)	6.50	7.30	6.20	5.80	5.80
	Gross domestic product growth	(0.70)	(1.30)	1.00	1.00	1.00
	Base rate (31 December)	6.00	3.00	0.75	0.25	0.25
Alternative downside 20%	House price inflation	(20.00)	(5.00)	(4.00)	0.00	1.00
	Unemployment rate (31 December)	7.80	8.40	7.90	7.80	7.80
	Gross domestic product growth	(0.20)	(4.20)	2.10	1.50	1.50
	Base rate (31 December)	6.50	4.50	1.00	0.10	0.10
Growth 5%	House price inflation	1.00	2.00	2.70	2.70	2.70
	Unemployment rate (31 December)	4.80	4.50	4.30	4.00	4.00
	Gross domestic product growth	0.50	1.10	1.60	2.10	2.10
	Base rate (31 December)	5.00	4.50	4.00	3.25	3.25
Weighted*	House price inflation	(10.60)	(0.70)	0.60	1.40	1.80
	Unemployment rate (31 December)	5.90	6.10	5.60	5.30	5.20
	Gross domestic product growth	(0.30)	(0.70)	1.30	1.40	1.40
	Base rate (31 December)	5.40	4.00	2.70	2.20	2.20

* Note that ECLs are calculated for each loan in each scenario and then probability weighted, so the weighted figure here is for illustrative purposes only.

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

Modelled residential impairment loss provisions totalled £29.9 million at 31 December 2024 (2023: £32.7 million), with PMAs of £15.5 million (2023: £20.8 million) contributing to total provisions of £45.4 million (2023: £53.5 million). The decrease in modelled loss provisions was driven by changes in the composition of the residential loan portfolio, model changes, and updated macroeconomic scenarios.

The sensitivity of modelled impairment loss provisions at 31 December 2024 to changes in key individual macroeconomic variables, with all other assumptions held constant, is illustrated below. Note that due to the interaction between different economic variables within the impairment loss provision models, the impacts of such single variable sensitivities may be distorted and are not representative of realistic alternative downside scenarios.

The impact of changing the assumption for annual house price inflation in each of the first two years of the central scenario is as follows:

	+ 10.0 percentage points	+ 5.0 percentage points	- 5.0 percentage points	- 10.0 percentage points
(Decrease)/increase in impairment loss provisions (£M)	(1.2)	(0.6)	1.0	2.3

The impact of changing the assumption for unemployment in each of the first two years of the central scenario is as follows:

	+ 2.0 percentage points	+ 1.0 percentage point	- 1.0 percentage point	- 2.0 percentage points
Increase/(decrease) in impairment loss provisions (£M)	2.5	1.1	(0.2)	(0.3)

In practice the above variables are unlikely to move in isolation. The combined impact of movements in a number of variables can be illustrated by the sensitivity of calculated provisions to scenario weightings. The table below shows the movement in impairment loss provisions if each of the scenarios were weighted 100%:

	2024 £M	2023 £M
(Decrease)/increase in impairment loss provisions if scenarios are weighted 100%:		
Central	**(12.3)**	(12.9)
Downside	**12.8**	1.9
Alternative downside	**91.9**	58.5
Growth	**(12.8)**	(14.8)

Year ended 31 December 2024

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

The total residential impairment loss provisions (including PMAs) if the central scenario was weighted 100% would be £33.1 million (2023: £40.6 million) compared to £45.4 million (2023: £53.5 million) when the scenarios are weighted. The increased sensitivity to 100% weighting of the alternative downside scenario in 2024 is due to a decrease in the weighting attached to the scenario by 10% in the year. Furthermore, enhancements made to the underlying ECL models have driven an increase in the probability of default (PD).

Changes to macroeconomic assumptions, as expectations change over time, are likely to lead to volatility in impairment loss provisions and may lead to pro-cyclicality in the recognition of impairment losses.

Post model adjustments (judgemental adjustments)

At 31 December 2024, the total of PMAs applied by the Group was £15.5 million (2023: £20.8 million). These adjustments were applied to cover the following:

- The potential impacts of inflationary pressures, the cost of living crisis and residential mortgage rate increases on member affordability, although it is noted that the stressed affordability assessments performed when mortgages are originated provide assurance that the majority of members can absorb some level of affordability stress.
- The risk associated with recent purpose-led lending (e.g. higher average LTV and LTI profile than the Group's existing mortgage book) assessed with a reduced affordability stress buffer following regulatory changes. There is uncertainty around how this segment of new lending will perform compared to lower risk mortgages in the Group's portfolio. The adjustment also addresses the risks associated with the calibration of the ECL models using Covid-19 impacted possessions data, which may underestimate the probability of possession following a default event.
- Uncertainty over the timing of remediation of cladding issues in high rise flats. This could result in lower valuations and challenges obtaining new mortgages on these properties, with the potential to impact on the value of the Group's collateral and thus calculated losses in the event of default.
- The risk of inherent bias in house price indexes for a specific cohort of properties in the Group's portfolio following the Covid-19 pandemic. This could result in higher valuations and lead to the calculation of understated losses in the event of default.

The climate risk PMA of £0.6 million at 31 December 2023, which reflected the consideration of climate risk, specifically the physical risk associated with flooding and coastal erosion has been removed as this risk has now been incorporated into the ECL model calculations.

Affordability PMA – £8.0 million (2023: £17.2 million)

The potential impact of current high levels of inflation on mortgage affordability has been estimated by uplifting members' recorded expenditure (having adjusted for wage inflation) to identify those accounts that could be at risk of having a shortfall against their monthly mortgage payments, depending on individual financial resilience levels. A forward-looking assessment has also identified those accounts at risk of a shortfall due to potential rate increases for those borrowers who are currently paying interest at the standard variable rate and those who have an upcoming fixed term maturity.

The PMA has been estimated as the additional impairment loss provisions required if loans were to migrate through impairment stages, based on weighted coverage rates by stage. For loans where the identified shortfall is sufficient to equate to three months' arrears over a period of 12 months, a proportion of accounts are assumed to migrate to Stage 3. For the remainder, it is assumed that accounts migrate into a higher stage (e.g. from Stage 1 to Stage 2 or from Stage 2 to Stage 3). The stage migration assumptions are informed by latest arrears emergence and credit deterioration data.

At 31 December 2024, the affordability PMA calculation has been refreshed by using the latest underlying mortgage data and updating the stage migration assumptions. The methodology adopted remains consistent with the 2023 year end.

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

The significant judgements underpinning the PMA calculation and the sensitivity of the PMA to these judgements are:

Assumption	Sensitivity modelled for current assumption	(Decrease)/increase in PMA (£M)
Number of borrowers that will migrate to Stage 3 due to risk of shortfall	(Decrease)/increase by 5 percentage points	(1.8)/1.9
£100 threshold above which shortfall against mortgage payment is 'unaffordable' and PMA is applied	(Increase threshold to £200)/reduce threshold to 1p	(0.9)/1.1
Product interest rates available for switching product on maturity or for standard variable rate	(Reduce)/increase rates by 1 percentage point	(1.1)/1.0

Model risk PMA – £5.4 million (2023: nil)

The Group has recognised a new temporary PMA in 2024 which addresses two different elements of model risk. Firstly, there is a segment of recent purpose-led lending that has a higher average LTV and LTI profile than the Group's existing mortgage book, assessed using a reduced affordability stress buffer. There is uncertainty around how this segment of new lending will perform compared to lower risk mortgages in the Group's portfolio and the ECL models were not developed using data from mortgages which were underwritten under these conditions. The temporary PMA recognises the risk that the ECL models may underestimate the PD for this segment of lending and the additional ECL requirement has been calculated at £4.4 million.

Secondly, the PMA also addresses the risks associated with the calibration of the ECL models using Covid-19 impacted possessions data, which does not necessarily represent the risk going forwards and may underestimate the probability of possession following a default event. This uncertainty around possession emergence has led to the recognition of a further £1.0 million at 31 December 2024.

Inadequate cladding PMA – £1.0 million (2023: £1.9 million)

Applying a consistent approach with the prior year, this PMA has been estimated by identifying properties at the highest risk of cladding issues by matching the Group's portfolio to third-party postcode data and applying a range of haircuts to property valuations and making an allowance for remediation costs. The latest data underpinning the calculation indicates a reduction in the number of properties potentially at risk as a limited number of lenders begin to offer mortgages on clad properties combined with remediation work commencing. This resulted in a reduced PMA at 31 December 2024.

Transaction bias PMA – £1.1 million (2023: £1.1 million)

This PMA addresses the risk that house price indexation bias exists in a specific cohort of the Group's portfolio which when adjusted would result in an increase to ECL. The same methodology has been applied as previous reporting periods, by comparing the increases in indexed valuations on the Group's portfolio with alternative third-party data and applying a haircut to collateral valuations.

(ii) Fair value of the collateral loan

The Group measures the collateral loan which represents a pool of equity release mortgages at FVTPL. The fair value of this loan is calculated using a model which uses a combination of observable market data (such as interest rate curves and RPI swap rates) and unobservable inputs which require estimation, such as the discount rate, property price volatility and the haircut applied to individual sales prices. The model projects the future cash flows anticipated from the loan based on the contractual terms with the third party from which the mortgages were acquired, with the timing of those cash flows determined with reference to mortality tables (which are subject to estimation uncertainty). The model also calculates a value for the 'no negative equity guarantee' provided to the member using a stochastic methodology applying a variant of the Black-Scholes formula.

The key estimates used in the model and the basis of estimation are summarised below:

Assumption	Basis of estimation
Discount rate	Derived from current market rates for new equity release mortgages adjusted for the specific profile of the Group's portfolio, also reflects liquidity term premium in current market funding costs
Property price volatility	Analysis of historic property price volatility and external research
Sales price haircut	Average actual discounts observed on the portfolio during the 2023 financial year

Year ended 31 December 2024

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(ii) Fair value of the collateral loan (continued)
At 31 December 2024, the carrying value of the collateral loan was £145.0 million (2023: £153.6 million), with the reduction primarily driven by movements in underlying collateral valuations. The sensitivity of this value to the estimates shown above is as follows:

Assumption	Sensitivity modelled for current assumption	(Decrease)/increase in fair value of collateral loan (£M)
Discount rate	+/- 1 percentage point	(10.1)/11.4
Property price volatility	+/- 3 percentage points	(3.9)/3.5
Sales price haircut	+/- 5 percentage points	(3.1)/2.7

The sensitivities shown reflect a range of alternative assumptions based on observed historic data.

(iii) Fair value of the RPI-linked equity release swap
One of the Group's equity release swaps is linked to the RPI and is valued using a discounted cash flow model which uses observable market data for RPI and the discount rate used to discount future cash flows and unobservable input assumptions for prepayment rates. Wherever possible these input assumptions are calculated with reference to actual historic experience and are aligned to those assumptions used in the valuation of the collateral loan. The variable which is considered to have the largest impact on the value of the swap is the prepayment rate.

A one percentage point increase in the assumed prepayment rate would reduce the value of the swap liability by £0.2 million, resulting in a corresponding fair value gain in the Income Statement. A one percentage point reduction in the assumed prepayment rate would increase the value of the swap liability by £0.2 million, resulting in a corresponding fair value loss in the Income Statement.

3. Interest receivable and similar income

	Group 2024 £M	Group 2023 £M	**Society 2024 £M**	Society 2023 £M
Interest receivable calculated using the effective interest rate method:				
On instruments held at amortised cost:				
On loans fully secured on residential property	**972.7**	693.3	**972.7**	693.3
On other loans and advances to customers	**0.4**	0.5	**0.4**	0.5
On liquid assets	**160.4**	159.7	**154.0**	154.1
Total interest receivable on instruments held at amortised cost	**1,133.5**	853.5	**1,127.1**	847.9
On instruments held at fair value through other comprehensive income:				
On investment securities	**150.1**	93.8	**152.8**	98.8
Total interest receivable calculated using the effective interest rate method	**1,283.6**	947.3	**1,279.9**	946.7
Similar income on instruments held at fair value through profit or loss:				
On other loans and advances to customers	**13.9**	12.0	**13.9**	12.0
Net income on derivatives that hedge financial assets and are designated in accounting hedge relationships	**287.0**	298.6	**287.0**	298.6
Net income on derivatives that hedge financial assets and are not designated in accounting hedge relationships	**7.6**	5.7	**3.2**	3.2
Total similar income on instruments held at fair value through profit or loss	**308.5**	316.3	**304.1**	313.8
Total interest receivable and similar income	**1,592.1**	1,263.6	**1,584.0**	1,260.5
Included in the above is:				
Interest receivable on impaired financial assets	**16.7**	13.3	**16.7**	13.3

Interest receivable on liquid assets consists of bank interest of £154.0 million (2023: £154.1 million) and interest on loans that are part of covered bond structures of £6.4 million (2023: £5.6 million).

4. Interest payable and similar charges

	Group 2024 £M	Group 2023 £M	Society 2024 £M	Society 2023 £M
Interest payable on instruments held at amortised cost:				
On shares held by individuals	**904.7**	551.7	**904.7**	551.7
On deposits and other borrowings:				
Wholesale and other funding	**246.9**	233.7	**217.8**	223.8
Lease liabilities	**0.2**	0.2	**0.2**	0.2
On subordinated liabilities	**6.2**	6.3	**6.2**	6.3
On subscribed capital	**1.2**	9.2	**1.2**	9.2
Total interest payable on instruments held at amortised cost	**1,159.2**	801.1	**1,130.1**	791.2
Similar charges on instruments held at fair value through profit or loss:				
Net charges on derivatives which hedge financial liabilities and are designated in accounting hedge relationships	**48.3**	101.9	**58.4**	104.1
Net charges on derivatives which hedge financial liabilities and are not designated in accounting hedge relationships	**21.7**	23.0	**32.9**	27.8
Total similar charges on instruments held at fair value through profit or loss	**70.0**	124.9	**91.3**	131.9
Total interest payable and similar charges	**1,229.2**	926.0	**1,221.4**	923.1

5. Fair value gains/(losses) from financial instruments

	Group 2024 £M	Group 2023 £M	Society 2024 £M	Society 2023 £M
Fair value hedge relationships				
Derivatives designated in fair value hedge relationships	**(3.3)**	(281.5)	**(3.3)**	(293.3)
Fair value adjustment for hedged risk of hedged items	**(20.7)**	252.5	**(20.7)**	264.3
Cash flow hedge relationships				
Derivatives designated in cash flow hedge relationships	**29.9**	26.9	**29.9**	26.9
Derivatives not designated in accounting hedge relationships				
Equity release swaps	**11.1**	0.7	**11.1**	0.7
Cross currency swaps net of retranslation on matched Euro liabilities	**0.9**	1.6	**–**	0.2
Other derivatives	**–**	–	**(3.4)**	(7.9)
Other financial instruments measured at fair value through profit or loss				
Collateral loan which represents a pool of equity release mortgages	**(7.6)**	(6.9)	**(7.6)**	(6.9)
Total fair value gains/(losses) from financial instruments	**10.3**	(6.7)	**6.0**	(16.0)

Fair value gains and losses arise due to accounting ineffectiveness on designated hedges, movements in the SONIA curve, or because hedge accounting could not be applied to certain items. Volatility also arises from the collateral loan which represents a pool of equity release mortgages and is measured at FVTPL. For further information refer to notes 31 and 32.

Year ended 31 December 2024

6. Administrative expenses

	Group & Society 2024 £M	Group & Society 2023 £M
Staff costs		
Wages and salaries*	**80.3**	73.3
Social security costs	**8.9**	8.2
Pension costs	**12.1**	10.8
Temporary staff	**3.1**	9.0
Other staff costs	**1.7**	1.6
Remuneration of auditor (see below)	**1.2**	1.1
Other administrative expenses		
Technology	**19.8**	17.6
Development activity	**23.8**	8.9
Property	**7.6**	7.3
Legal and professional fees	**3.8**	3.5
Marketing	**6.1**	5.3
Regulatory fees	**7.1**	2.8
Postage and stationery	**2.5**	2.1
Recruitment and training	**1.6**	2.1
Other	**5.8**	6.3
Total administrative expenses	**185.4**	159.9

There are 34 directors, senior management and colleagues whose actions have a material impact on the risk profile of the Group, with fixed remuneration of £8.0 million and variable remuneration of £1.2 million (2023: 39 individuals, £7.5 million and £1.1 million). Further details of directors' remuneration can be found on pages 141 to 146 of the Directors' Remuneration Report.

Administrative expenses include £19.4 million of IT transformation spend in 2024 (2023: £3.9 million).

The analysis of auditor's remuneration is as follows:

	Group & Society 2024 £'000	Group & Society 2023 £'000
Fee payable to the Society's auditor for the audit of the Society's annual accounts	**1,029.0**	916.2
Fees payable to the Society's auditor for the audit of the Society's subsidiaries	**84.0**	28.2
Total audit fees	**1,113.0**	944.4
Assurance services	**130.0**	170.8
Total non-audit fees	**130.0**	170.8
Total auditor's remuneration	**1,243.0**	1,115.2

The above figures relating to auditor's remuneration exclude value added tax.

*The Group & Society 2023 wages and salaries have been re-presented to reflect staff costs net of capitalised staff costs.

7. Staff numbers

The average number of colleagues employed during the year was as follows:

	Group & Society 2024 Number	Group & Society 2023 Number
Central administration	**1,551**	1,493
Branches	**295**	295
Total monthly average number of people employed	**1,846**	1,788
Total monthly average number of full time equivalent employees	**1,712**	1,662

At 31 December 2024 the total number of colleagues employed by the Group and the Society was 1,863 (2023: 1,813).

8. Impairment on loans and advances to customers

Group & Society 2024	**Loans fully secured on residential property £M**	**Loans fully secured on land £M**	**Other loans £M**	**Total £M**
Impairment loss provision:				
At 1 January 2024	**53.5**	**1.4**	**–**	**54.9**
Charge/(credit) for the year	**(4.6)**	**(0.9)**	**–**	**(5.5)**
Amounts written off during the year	**(3.1)**	**–**	**–**	**(3.1)**
Movement in foreign exchange rate	**(0.4)**	**–**	**–**	**(0.4)**
At 31 December 2024	**45.4**	**0.5**	**–**	**45.9**
Income Statement				
Charge/(credit) for the year	**(4.6)**	**(0.9)**	**–**	**(5.5)**
Recoveries of amounts previously written off	**(0.2)**	**–**	**–**	**(0.2)**
Total income statement charge/(credit)	**(4.8)**	**(0.9)**	**–**	**(5.7)**

Group & Society 2023	Loans fully secured on residential property £M	Loans fully secured on land £M	Other loans £M	Total £M
Impairment loss provision:				
At 1 January 2023	48.0	1.6	2.5	52.1
Charge/(credit) for the year	6.4	(0.2)	–	6.2
Amounts written off during the year	(0.7)	–	(2.5)	(3.2)
Movement in foreign exchange rate	(0.2)	–	–	(0.2)
At 31 December 2023	53.5	1.4	–	54.9
Income Statement				
Charge/(credit) for the year	6.4	(0.2)	–	6.2
Recoveries of amounts previously written off	(0.1)	–	–	(0.1)
Total income statement charge/(credit)	6.3	(0.2)	–	6.1

The Group's policy for calculating impairment of loans and advances to customers (including retail mortgages and loan commitments) is detailed in note 1(e). Details of the significant accounting estimates and judgements required in the calculation of impairment loss provisions, including the incorporation of forward-looking information, are provided in note 2.

Year ended 31 December 2024

8. Impairment on loans and advances to customers (continued)

The table below summarises the Group's retail mortgage balances, loan commitments and associated impairment loss provisions. The classification of loans into stages for impairment purposes is explained in note 1(e).

	Group & Society 2024			Group & Society 2023		
	Gross exposure £M	Impairment loss provision £M	Provision coverage %	Gross exposure £M	Impairment loss provision £M	Provision coverage %
Retail mortgages						
Stage 1	**19,674.0**	**7.9**	**0.04**	17,670.1	4.8	0.03
Stage 2 and <30 days past due	**4,385.8**	**21.5**	**0.49**	3,791.4	29.0	0.76
Stage 2 and 30+ days past due	**95.5**	**1.8**	**1.88**	111.0	2.9	2.61
Stage 3 and <90 days past due	**145.4**	**2.0**	**1.38**	125.0	2.1	1.68
Stage 3 and 90+ days past due	**147.4**	**11.9**	**8.07**	138.9	14.4	10.37
Total retail mortgages	**24,448.1**	**45.1**	**0.18**	21,836.4	53.2	0.24
Loan commitments						
Stage 1	**1,640.6**	**0.3**	**0.02**	1,268.9	0.3	0.02
Total impairment loss provision	**26,088.7**	**45.4**	**0.17**	23,105.3	53.5	0.23

The tables below provide information on movements in the gross retail mortgage exposures and associated impairment loss provisions during the year:

	Stage 1		Stage 2		Stage 3		Total	
Group & Society 2024	Gross exposure £M	Provision 12m ECL £M	Gross exposure £M	Provision Lifetime ECL £M	Gross exposure £M	Provision Lifetime ECL £M	Gross exposure £M	Provision £M
At 1 January 2024	**17,670.1**	**4.8**	**3,902.4**	**31.9**	**263.9**	**16.5**	**21,836.4**	**53.2**
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	**(2,290.0)**	**(0.6)**	**2,290.0**	**4.4**	**–**	**–**	**–**	**3.8**
From Stage 1 to Stage 3	**(42.4)**	**(0.1)**	**–**	**–**	**42.4**	**0.9**	**–**	**0.8**
From Stage 2 to Stage 3	**–**	**–**	**(76.8)**	**(0.9)**	**76.8**	**2.1**	**–**	**1.2**
Transfers resulting in reduced impairment loss provision:								
From Stage 2 to Stage 1	**1,319.2**	**0.3**	**(1,319.2)**	**(3.1)**	**–**	**–**	**–**	**(2.8)**
From Stage 3 to Stage 1	**7.5**	**–**	**–**	**–**	**(7.5)**	**–**	**–**	**–**
From Stage 3 to Stage 2	**–**	**–**	**32.3**	**0.1**	**(32.3)**	**(0.5)**	**–**	**(0.4)**
Change in impairment loss provision resulting from loan modifications	**–**	**–**	**–**	**–**	**–**	**0.5**	**–**	**0.5**
Other remeasurement of impairment loss provision (no movement in stage)	**–**	**2.1**	**–**	**(8.8)**	**–**	**(0.9)**	**–**	**(7.6)**
New advances	**6,674.3**	**2.1**	**120.5**	**0.6**	**1.2**	**–**	**6,796.0**	**2.7**
Redemptions and repayments	**(3,664.7)**	**(0.7)**	**(467.9)**	**(0.9)**	**(51.7)**	**(1.6)**	**(4,184.3)**	**(3.2)**
Write offs	**–**	**–**	**–**	**–**	**–**	**(3.1)**	**–**	**(3.1)**
At 31 December 2024	**19,674.0**	**7.9**	**4,481.3**	**23.3**	**292.8**	**13.9**	**24,448.1**	**45.1**

8. Impairment on loans and advances to customers (continued)

Group & Society 2023	Stage 1 Gross exposure £M	Stage 1 Provision 12m ECL £M	Stage 2 Gross exposure £M	Stage 2 Provision Lifetime ECL £M	Stage 3 Gross exposure £M	Stage 3 Provision Lifetime ECL £M	Total Gross exposure £M	Total Provision £M
At 1 January 2023	16,965.3	5.1	3,185.5	31.6	221.5	11.1	20,372.3	47.8
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	(1,837.6)	(0.4)	1,837.6	4.2	–	–	–	3.8
From Stage 1 to Stage 3	(45.3)	–	–	–	45.3	0.9	–	0.9
From Stage 2 to Stage 3	–	–	(68.1)	(0.7)	68.1	5.1	–	4.4
Transfers resulting in reduced impairment loss provision:								
From Stage 2 to Stage 1	926.2	0.3	(926.2)	(1.4)	–	–	–	(1.1)
From Stage 3 to Stage 1	6.3	–	–	–	(6.3)	–	–	–
From Stage 3 to Stage 2	–	–	30.6	0.2	(30.6)	(0.3)	–	(0.1)
Change in impairment loss provision resulting from loan modifications	–	–	–	–	–	0.3	–	0.3
Other remeasurement of impairment loss provision (no movement in stage)	–	(2.3)	–	(1.1)	–	2.4	–	(1.0)
New advances	5,311.8	2.9	–	–	–	–	5,311.8	2.9
Redemptions and repayments	(3,656.6)	(0.8)	(157.0)	(0.9)	(34.1)	(2.3)	(3,847.7)	(4.0)
Write offs	–	–	–	–	–	(0.7)	–	(0.7)
At 31 December 2023	17,670.1	4.8	3,902.4	31.9	263.9	16.5	21,836.4	53.2

In the above tables, the impact of changes to accounting estimates and judgements, including macroeconomic scenarios and probability weightings, is included within ‘other remeasurement of impairment loss provision’ unless the change results in the transfer of a loan between stages in which case it is included in the relevant transfer row.

Year ended 31 December 2024

9. Tax expense

	Group 2024 £M	Group 2023 £M	Society 2024 £M	Society 2023 £M
Analysis of charge in the year				
Current tax				
UK corporation tax on profits for the year	**38.5**	45.1	**38.5**	45.1
Adjustments in respect of prior year	**0.1**	(0.2)	**0.1**	(0.2)
Total current tax	**38.6**	44.9	**38.6**	44.9
Deferred tax				
Current year	**(0.8)**	2.6	**(2.2)**	0.3
Adjustments for changes in tax rates	**(0.2)**	0.1	**(0.2)**	0.1
Total deferred tax	**(1.0)**	2.7	**(2.4)**	0.4
Total tax charge	**37.6**	47.6	**36.2**	45.3
Tax charged/(credited) to other comprehensive income				
Deferred tax current year credit	**(8.8)**	–	**(8.8)**	–
Total tax credit to other comprehensive income	**(8.8)**	–	**(8.8)**	–
Factors affecting total tax charge for the year:				
Profit on ordinary activities before tax	**137.5**	181.5	**133.9**	172.5
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.0% (2023: 23.5%)	**34.4**	42.7	**33.5**	40.6
Effects of:				
Banking surcharge	**1.5**	4.4	**1.5**	4.4
Adjustments in respect of prior year (current tax)	**–**	(0.2)	**–**	(0.2)
Expenses not deductible for tax purposes	**1.3**	0.3	**1.3**	0.3
Other differences	**0.4**	0.4	**(0.1)**	0.2
Total current tax	**37.6**	47.6	**36.2**	45.3

Adjustments in respect of prior year relate to differences between the balances in the prior year's Statements of Financial Position and the finalised balances upon completion of the prior year tax return.

The standard rate of UK corporation tax applicable to the Group for the year ended 31 December 2024 was 25% (year ended 31 December 2023: 23.5%) and the banking surcharge remained at 3% of taxable profits above a £100 million threshold.

Deferred tax balances have been calculated at a rate of 28% (2023: 28%), reflecting the corporation tax rate and the banking surcharge.

Consideration has been given to uncertain tax positions, and none exist (2023: none).

10. Classification of financial assets and liabilities

The following tables summarise the classification and carrying value of the Group's and Society's financial assets and liabilities:

Group 2024	**Amortised cost £M**	**FVOCI £M**	**FVTPL £M**	**Total £M**
Financial assets:				
Cash in hand and balances with the Bank of England	**2,443.2**	**–**	**–**	**2,443.2**
Loans and advances to credit institutions	**152.3**	**–**	**–**	**152.3**
Investment securities	**10.5**	**3,939.5**	**–**	**3,950.0**
Derivative financial instruments	**–**	**8.1**	**363.0**	**371.1**
Loans and advances to customers:				
Loans fully secured on residential property	**24,402.7**	**–**	**–**	**24,402.7**
Other loans	**2.8**	**–**	**145.0**	**147.8**
Fair value adjustment for hedged risk on loans and advances to customers	**–**	**–**	**(173.1)**	**(173.1)**
Other assets, prepayments and accrued income*	**221.4**	**–**	**–**	**221.4**
Total financial assets	**27,232.9**	**3,947.6**	**334.9**	**31,515.4**
Financial liabilities:				
Shares	**24,529.8**	**–**	**–**	**24,529.8**
Fair value adjustment for hedged risk on shares	**–**	**–**	**8.8**	**8.8**
Derivative financial instruments	**–**	**–**	**98.0**	**98.0**
Amounts owed to credit institutions	**1,244.2**	**–**	**–**	**1,244.2**
Amounts owed to other customers	**159.3**	**–**	**–**	**159.3**
Debt securities in issue	**3,162.5**	**–**	**(30.8)**	**3,131.7**
Other liabilities and accruals*	**316.7**	**–**	**–**	**316.7**
Subordinated liabilities	**350.4**	**–**	**(16.2)**	**334.2**
Subscribed capital	**8.0**	**–**	**–**	**8.0**
Total financial liabilities	**29,770.9**	**–**	**59.8**	**29,830.7**

Group 2023	Amortised cost £M	FVOCI £M	FVTPL £M	Total £M
Financial assets:				
Cash in hand and balances with the Bank of England	2,830.0	–	–	2,830.0
Loans and advances to credit institutions	213.7	–	–	213.7
Investment securities	–	2,515.6	–	2,515.6
Derivative financial instruments	–	–	443.6	443.6
Loans and advances to customers:				
Loans fully secured on residential property	21,782.9	–	–	21,782.9
Other loans	4.7	–	153.6	158.3
Fair value adjustment for hedged risk on loans and advances to customers	–	–	(132.3)	(132.3)
Other assets, prepayments and accrued income*	208.2	–	–	208.2
Total financial assets	25,039.5	2,515.6	464.9	28,020.0
Financial liabilities:				
Shares	20,793.0	–	–	20,793.0
Fair value adjustment for hedged risk on shares	–	–	31.9	31.9
Derivative financial instruments	–	–	233.0	233.0
Amounts owed to credit institutions	1,869.3	–	–	1,869.3
Amounts owed to other customers	169.9	–	–	169.9
Debt securities in issue	2,750.1	–	(41.5)	2,708.6
Other liabilities and accruals*	267.7	–	–	267.7
Subordinated liabilities	349.9	–	(26.0)	323.9
Subscribed capital	33.0	–	–	33.0
Total financial liabilities	26,232.9	–	197.4	26,430.3

Year ended 31 December 2024

10. Classification of financial assets and liabilities (continued)

Society 2024	**Amortised cost £M**	**FVOCI £M**	**FVTPL £M**	**Total £M**
Financial assets:				
Cash in hand and balances with the Bank of England	**2,443.2**	**–**	**–**	**2,443.2**
Loans and advances to credit institutions	**15.2**	**–**	**–**	**15.2**
Investment securities	**10.5**	**3,939.5**	**–**	**3,950.0**
Derivative financial instruments	**–**	**8.1**	**363.0**	**371.1**
Loans and advances to customers:				
Loans fully secured on residential property	**24,402.7**	**–**	**–**	**24,402.7**
Other loans	**2.8**	**–**	**145.0**	**147.8**
Fair value adjustment for hedged risk on loans and advances to customers	**–**	**–**	**(173.1)**	**(173.1)**
Other assets, prepayments and accrued income*	**298.0**	**–**	**–**	**298.0**
Total financial assets	**27,172.4**	**3,947.6**	**334.9**	**31,454.9**
Financial liabilities:				
Shares	**24,529.8**	**–**	**–**	**24,529.8**
Fair value adjustment for hedged risk on shares	**–**	**–**	**8.8**	**8.8**
Derivative financial instruments	**–**	**–**	**117.2**	**117.2**
Amounts owed to credit institutions	**1,244.2**	**–**	**–**	**1,244.2**
Amounts owed to other customers	**791.1**	**–**	**–**	**791.1**
Debt securities in issue	**2,526.4**	**–**	**(30.8)**	**2,495.6**
Other liabilities and accruals*	**310.7**	**–**	**–**	**310.7**
Subordinated liabilities	**350.4**	**–**	**(16.2)**	**334.2**
Subscribed capital	**8.0**	**–**	**–**	**8.0**
Total financial liabilities	**29,760.6**	**–**	**79.0**	**29,839.6**

Society 2023	Amortised cost £M	FVOCI £M	FVTPL £M	Total £M
Financial assets:				
Cash in hand and balances with the Bank of England	2,830.0	–	–	2,830.0
Loans and advances to credit institutions	109.2	–	–	109.2
Investment securities	–	2,515.6	–	2,515.6
Derivative financial instruments	–	–	443.6	443.6
Loans and advances to customers:				
Loans fully secured on residential property	21,782.9	–	–	21,782.9
Other loans	4.7	–	153.6	158.3
Fair value adjustment for hedged risk on loans and advances to customers	–	–	(132.3)	(132.3)
Other assets, prepayments and accrued income*	246.5	–	–	246.5
Total financial assets	24,973.3	2,515.6	464.9	27,953.8
Financial liabilities:				
Shares	20,793.0	–	–	20,793.0
Fair value adjustment for hedged risk on shares	–	–	31.9	31.9
Derivative financial instruments	–	–	232.8	232.8
Amounts owed to credit institutions	1,869.3	–	–	1,869.3
Amounts owed to other customers	521.6	–	–	521.6
Debt securities in issue	2,394.8	–	(33.8)	2,361.0
Other liabilities and accruals*	267.7	–	–	267.7
Subordinated liabilities	349.9	–	(26.0)	323.9
Subscribed capital	33.0	–	–	33.0
Total financial liabilities	26,229.3	–	204.9	26,434.2

*The presentation of the 2023 Group and Society comparatives has been restated to include other assets, prepayments and accrued income and other liabilities and accruals, which relate to third-party collateral balances and intercompany securitisation notes held by the Society. Both meet the criteria for classification of financial instruments under IFRS 9.

11. Cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents comprise the following balances with a maturity of less than three months.

	Group 2024 £M	Group 2023 £M	**Society 2024 £M**	Society 2023 £M
Cash in hand	**2.0**	2.0	**2.0**	2.0
Balances with the Bank of England	**2,441.2**	2,828.0	**2,441.2**	2,828.0
Cash in hand and Balances with the Bank of England	**2,443.2**	2,830.0	**2,443.2**	2,830.0
Loans and advances to credit institutions (excluding mandatory reserve deposits)	**152.3**	135.9	**15.2**	31.4
Total cash and cash equivalents	**2,595.5**	2,965.9	**2,458.4**	2,861.4

The Group's loans and advances to credit institutions on the Statements of Financial Position includes £137.1 million (2023: £104.5 million) of balances belonging to the Society's securitisation programmes.

The amount reported for loans and advances to credit institutions in the 2023 Statements of Financial Position includes mandatory reserve deposits of £77.8 million which were not available for use in the Group's day to day operations. The mandatory reserve deposits balance at 31 December 2024 was nil due to the cash ratio deposit scheme being replaced by the Bank of England levy in 2024.

12. Investment securities

All of the investment securities held by the Group are listed and at 31 December 2024 are of investment grade. The tables below show the changes in fair value during the year. No impairment loss provision is held against these assets since calculated ECL is immaterial (2023: no provision).

	Group 2024 £M	Group 2023 £M	**Society 2024 £M**	Society 2023 £M
At 1 January	**2,515.6**	1,386.7	**2,515.6**	1,452.8
Additions	**5,124.3**	2,882.9	**5,124.3**	2,882.9
Disposals (sale and redemption)	**(3,689.3)**	(1,774.0)	**(3,689.3)**	(1,840.2)
Movement in fair value	**(0.6)**	20.0	**(0.6)**	20.1
At 31 December	**3,950.0**	2,515.6	**3,950.0**	2,515.6

At 31 December 2024, no investment securities were pledged as collateral under sale and repurchase agreements (2023: none).

13. Loans and advances to customers

Group & Society 2024	**Gross exposure £M**	**Impairment loss provision £M**	**Total £M**
Loans fully secured on residential property	**24,448.1**	**(45.4)**	**24,402.7**
Loans fully secured on land	**3.3**	**(0.5)**	**2.8**
Other loans	**145.0**	**–**	**145.0**
Total loans and advances to customers	**24,596.4**	**(45.9)**	**24,550.5**

Year ended 31 December 2024

13. Loans and advances to customers (continued)

Group & Society 2023	Gross exposure £M	Impairment loss provision £M	Total £M
Loans fully secured on residential property	21,836.4	(53.5)	21,782.9
Loans fully secured on land	6.1	(1.4)	4.7
Other loans	153.6	–	153.6
Total loans and advances to customers	21,996.1	(54.9)	21,941.2

The Group has previously acquired a pool of equity release mortgages from a third party. The Group assumed a number of, but not all, risks arising from these loans. The remaining risks were retained by the third party, which also retained a proportion of the income from the underlying equity release mortgages. As a consequence, these mortgages have been recognised as a collateral loan to the third party within other loans in the table above. This loan is measured at fair value through profit or loss.

The net fair value movement on loans and advances to customers at fair value through profit or loss was a loss of £7.6 million (2023: £0.4 million loss) for both the Group and Society. The equity release mortgages are economically hedged using interest rate swaps and as a result the loss was offset by a net fair value gain on the swaps of £11.1 million (2023: £0.7 million gain).

Loans and advances to customers, for both the Group and Society, include £3,900.9 million (2023: £3,342.0 million) of loans which have been ringfenced from the Society for its associated secured funding vehicles.

The Groups asset encumbrance as at 31 December 2024 relating to mortgages used to collateralise the covered bond and securitisation programmes is detailed on page 78.

2024	**LBS Covered Bonds LLP £M**	**Albion No. 5 plc £M**	**Albion No. 6 plc £M**	**Total £M**
Loans and advances transferred from the Society to secured funding vehicles	**3,241.6**	**307.3**	**352.0**	**3,900.9**
Loan notes issued by the Society	**2,100.0**	**291.4**	**337.7**	**2,729.1**

2023	LBS Covered Bonds LLP £M	Albion No. 5 plc £M	Albion No. 6 plc £M	Total £M
Loans and advances transferred from the Society to secured funding vehicles	2,974.1	367.9	–	3,342.0
Loan notes issued by the Society	2,033.5	349.8	–	2,383.3

The covered bonds and residential mortgage backed securities issued have been used to secure long-term funding from other financial institutions. The loans are retained in the Society's Statement of Financial Position, with judgement required in assessing whether risks or rewards of ownership of the mortgage portfolio have been transferred by the Society to another Group entity. It was determined to be inappropriate for the mortgage portfolio to be derecognised by the Society as it has retained significant risks and rewards of ownership of these financial assets.

14. Other assets, prepayments and accrued income

	Group 2024 £M	Group 2023 £M	**Society 2024 £M**	Society 2023 £M
Collateral	**221.4**	208.2	**221.4**	208.2
Prepayments	**10.5**	9.8	**10.5**	9.8
Other assets	**6.2**	6.1	**212.6**	213.8
Total other assets, prepayments and accrued income	**238.1**	224.1	**444.5**	431.8

In the above table, collateral represents amounts owed by credit institutions on cash collateralisation of derivatives. The Society balance for other assets includes amounts owed by subsidiary undertakings, including collateral in relation to intragroup derivatives.

15. Investments in subsidiary undertakings

The Society holds the following interests in subsidiary undertakings at 31 December 2024, all of which are incorporated in the UK and registered in England. At 31 December 2024, the value of shares in subsidiaries was £1,040 (2023: £1,040).

Name	Major Activities	Class of Shares held	Interest of Society	Address
Leeds Mortgage Funding Limited	Non-trading	Ordinary £1 shares	100%	26 Sovereign Street, Leeds, LS1 4BJ
Leeds Building Society Covered Bonds LLP	Provision of mortgage assets and guarantor of covered bonds	*	*	26 Sovereign Street, Leeds, LS1 4BJ
Leeds Covered Bonds Designated Member (No. 1) Limited	First designated member of Leeds Building Society Covered Bonds LLP	*	*	1 Bartholomew Lane, London, EC2N 2AX
Leeds Covered Bonds Designated Member (No. 2) Limited	Second designated member of Leeds Building Society Covered Bonds LLP	*	*	1 Bartholomew Lane, London, EC2N 2AX
Leeds Covered Bonds Holdings Limited	Holding company to both Leeds Covered Bonds Designated Member (No. 1) and (No. 2) Limited	*	*	1 Bartholomew Lane, London, EC2N 2AX
Albion No.5 plc	Provision of residential mortgage backed securities	*	*	Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB
Albion No.5 Holdings Limited	Holding company to Albion No. 5 plc	*	*	Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB
Albion No.6 plc	Provision of residential mortgage backed securities	*	*	Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB
Albion No.6 Holdings Limited	Holding company to Albion No. 6 plc	*	*	Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB

*The Society's interest is equivalent to being a 100% owned subsidiary as these entities pass the test of control under IFRS 10 *Consolidated Financial Statements*. Consequently, they have been consolidated in the Group accounts. Although the Society does not legally own these entities, it is deemed to control them, as it has power over the activities undertaken by the subsidiaries through the management and operational structures in place, and it has exposure to variable returns through the purchase of loan notes, deferred consideration and intragroup loans.

In May 2024, the Group issued £350 million of RMBS Class A notes through a newly incorporated securitisation vehicle named Albion No.6 plc. The first statutory accounts will be submitted for the period ended 31 December 2024.

Year ended 31 December 2024

16. Intangible assets

Group & Society 2024	New core systems £M	System enhancements £M	Total £M
Cost			
At 1 January	16.1	30.7	46.8
Additions	–	12.4	12.4
Disposals	–	(0.2)	(0.2)
At 31 December	16.1	42.9	59.0
Amortisation and impairment			
At 1 January	5.3	11.7	17.0
Amortisation charged in the year	1.6	4.6	6.2
Disposals	–	(0.1)	(0.1)
Impairment charged in the year	–	0.8	0.8
At 31 December	6.9	17.0	23.9
Net book value			
At 31 December	9.2	25.9	35.1

Group & Society 2023	New core systems £M	System enhancements £M	Total £M
Cost			
At 1 January	16.1	18.2	34.3
Additions	–	12.5	12.5
Disposals	–	–	–
At 31 December	16.1	30.7	46.8
Amortisation and impairment			
At 1 January	3.7	8.1	11.8
Amortisation charged in the year	1.6	3.4	5.0
Impairment charged in the year	–	0.2	0.2
At 31 December	5.3	11.7	17.0
Net book value			
At 31 December	10.8	19.0	29.8

During 2024 the Group continued its programme of works that met the definition of an intangible asset. This included software licences, IT development service costs and certain colleague costs. Amortisation of such assets is charged to the Income Statement on a straight line basis over the useful life of the asset once it is brought into use. The useful life of such assets is determined to be ten years for new core systems and five years for system enhancements as stated in note 1(h), with useful lives reviewed on an asset-by-asset basis each year.

The two most significant intangible assets are the Mortgage Hub mortgage application system, with a net book value of £9.2 million and a useful remaining life of 5 years (2023: £10.8 million), and the system which is used to deliver our online digital experience with a net book value of £5.6 million (2023: £5.9 million) with a useful remaining life of 4 years.

Intangible assets are reviewed annually for indications of impairment. This review includes an assessment of whether it is probable that future economic benefits will be realised from the asset, and whether the value in use of the asset is in excess of the carrying value. In 2024 £0.8 million (2023: £0.2 million) of impairment was recognised in profit or loss.

17. Property, plant and equipment

Group & Society 2024	Freehold premises £M	Long leasehold premises £M	Short leasehold premises £M	Office and computer equipment £M	Right-of-use assets £M	Total £M
Cost or valuation						
At 1 January	**51.8**	**0.2**	**0.9**	**46.7**	**12.6**	**112.2**
Additions	**0.3**	**–**	**–**	**2.7**	**0.6**	**3.6**
Disposals	**–**	**–**	**–**	**(4.9)**	**(1.9)**	**(6.8)**
At 31 December	**52.1**	**0.2**	**0.9**	**44.5**	**11.3**	**109.0**
Depreciation and impairment						
At 1 January	**4.8**	**–**	**0.9**	**36.5**	**5.5**	**47.7**
Disposals	**–**	**–**	**–**	**(4.9)**	**(0.3)**	**(5.2)**
Depreciation charged in the year	**–**	**–**	**–**	**3.2**	**1.2**	**4.4**
Impairment charged in the year	**16.3**	**–**	**–**	**0.4**	**–**	**16.7**
At 31 December	**21.1**	**–**	**0.9**	**35.2**	**6.4**	**63.6**
Net book value						
At 31 December	**31.0**	**0.2**	**–**	**9.3**	**4.9**	**45.4**

Group & Society 2023	Freehold premises £M	Long leasehold premises £M	Short leasehold premises £M	Office and computer equipment £M	Right-of-use assets £M	Total £M
Cost or valuation						
At 1 January	51.8	0.2	0.9	45.0	12.4	110.3
Additions	–	–	–	1.7	0.2	1.9
At 31 December	51.8	0.2	0.9	46.7	12.6	112.2
Depreciation and impairment						
At 1 January	4.8	–	0.9	33.6	4.3	43.6
Depreciation charged in the year	–	–	–	2.9	1.2	4.1
At 31 December	4.8	–	0.9	36.5	5.5	47.7
Net book value						
At 31 December	47.0	0.2	–	10.2	7.1	64.5

The Group's accounting policy is for all freehold and long leasehold premises to be revalued at least every three years, with the last full valuation undertaken as at 31 December 2022. In the periods between formal valuations, an assessment is made to ascertain whether there are indications of material changes in property values. Details of the judgements involved in this assessment can be found in note 2a(iv).

During the financial year, the Directors felt it appropriate to obtain an updated valuation for the Society's Head Office building, the previous valuation having been undertaken in December 2022, when market transaction activity was limited following the Covid-19 pandemic. During the period since then there has been a decline in the Leeds commercial property rental market and the latest valuation, which was undertaken in December 2024 and based on an open market, vacant possession scenario, resulted in a £16.3 million reduction in carrying value. The full amount has been recognised as impairment in the Income Statement.

Where portions of freehold premises are leased out, these properties do not meet the definition of investment property under IAS 40 *Investment Property* as the leased out portions could not be sold separately and the Group retains the use of a significant portion of the property.

Year ended 31 December 2024

17. Property, plant and equipment (continued)

The amount of freehold and long leasehold premises (included above at valuation) determined according to the historical cost convention is as follows:

	Group & Society 2024 £M	Group & Society 2023 £M
Freehold premises	**32.9**	44.6
Long leasehold premises	**0.2**	0.2
At 31 December	**33.1**	44.8

The average remaining lease term of right-of-use assets is 5.0 years (2023: 5.5 years).

18. Shares

	Group & Society 2024 £M	Group & Society 2023 £M
Held by individuals	**24,526.2**	20,789.2
Other shares	**3.6**	3.8
Total shares	**24,529.8**	20,793.0

19. Amounts owed to other customers

	Group 2024 £M	Group 2023 £M	**Society 2024 £M**	Society 2023 £M
Amounts owed to subsidiary undertakings	**–**	–	**631.8**	351.7
Other deposits	**159.3**	169.9	**159.3**	169.9
Total amounts owed to other customers	**159.3**	169.9	**791.1**	521.6

20. Debt securities in issue

	Group 2024 £M	Group 2023 £M	Society 2024 £M	Society 2023 £M
Certificates of deposit	**60.3**	–	**60.3**	–
Senior unsecured debt	**319.3**	315.9	**319.3**	315.9
Covered bonds	**2,116.0**	2,037.3	**2,116.0**	2,045.1
Residential mortgage backed securities	**636.1**	355.4	**–**	–
Total debt securities in issue	**3,131.7**	2,708.6	**2,495.6**	2,361.0

The underlying security for the covered bonds and residential mortgage backed securities (RMBS) is certain loans and advances to customers (see note 13 for further detail).

In May 2024, the Group issued £350 million of RMBS Class A from Albion No 6 plc, which are denominated in sterling and have a floating interest rate quarterly to January 2067, with an optional call date in July 2029.

21. Other liabilities and accruals

	Group 2024 £M	Group 2023 £M	Society 2024 £M	Society 2023 £M
Accruals	**18.4**	18.6	**18.4**	18.6
Lease liabilities				
Current	**1.2**	1.2	**1.2**	1.2
Non-current	**4.3**	6.5	**4.3**	6.5
Other payables	**323.4**	273.9	**392.1**	383.9
Total other liabilities and accruals	**347.3**	300.2	**416.0**	410.2

Other payables within Group and Society includes £316.7 million (2023: £267.7 million) owed to credit institutions on cash collateralisation of derivatives. The Society balance for other payables includes amounts owed to subsidiary undertakings, including collateral in relation to intragroup derivatives.

The maturity of lease liabilities is shown below.

Maturity analysis – contractual undiscounted cash flows	Group & Society 2024 £M	Group & Society 2023 £M
Less than one year	**1.3**	1.3
One to five years	**3.1**	4.5
More than five years	**0.9**	2.0
Total undiscounted cash flows at 31 December	**5.3**	7.8

At 31 December 2024, the Group and Society had less than £0.1 million of commitments under short term leases (2023: less than £0.1 million). Total lease commitments for low value assets were £0.1 million (2023: £0.1 million).

Year ended 31 December 2024

21. Other liabilities and accruals (continued)

Amounts recognised in Income Statement in respect of leases

	Group & Society 2024 £M	Group & Society 2023 £M
Interest payable on lease liabilities	**0.2**	0.2
Depreciation of right-of-use assets	**1.2**	1.2
Expenses relating to short term leases	**0.1**	0.1
Expenses relating to leases of low value assets, excluding short term leases of low value assets	**0.1**	0.1
Total recognised in Income Statement in the year	**1.6**	1.6

Amounts recognised in the Statement of Cash Flows in respect of leases

	Group & Society 2024 £M	Group & Society 2023 £M
Total cash outflow for leases	**2.1**	2.1

22. Provisions for liabilities and charges

Group & Society 2024	**Voluntary financial support £M**	**Other provisions £M**	**Total £M**
At 1 January 2024	**–**	**1.3**	**1.3**
Provision charge in the year	**10.3**	**0.3**	**10.6**
Amounts released during the year	**–**	**(0.3)**	**(0.3)**
Amounts paid during the year	**(6.7)**	**(0.7)**	**(7.4)**
At 31 December 2024	**3.6**	**0.6**	**4.2**

Group & Society 2023	Voluntary financial support £M	Other provisions £M	Total £M
At 1 January 2023	–	0.6	0.6
Provision charge in the year	–	0.7	0.7
Amounts released during the year	–	–	–
Amounts paid during the year	–	–	–
At 31 December 2024	–	1.3	1.3

Voluntary financial support
A provision of £10.3 million has been recognised during the year in respect of the voluntary financial support we have agreed to offer members impacted by the actions of Philips Trust Corporation. Voluntary financial support payments totalling £6.2 million were processed before the year end and £0.5 million of delivery costs incurred. The remaining provision of £3.6 million will be utilised during 2025 as we process all remaining compensation payments.

Other provisions
Other provisions include an estimate of redress payments to members, including potential claims on payment protection insurance (PPI) sold by the Group. The deadline for such claims passed in August 2019; however, there remains the potential for claims to be received via legal cases through the courts. The balance also includes a provision for potential litigation in respect of other redress claims.

23. Subordinated liabilities

Subordinated liabilities comprise £334.2 million (2023: £323.9 million) of senior non-preferred fixed rate reset notes which were issued during 2021 under the Group's £2 billion Euro Medium Term Note Programme. The notes are denominated in sterling and have a fixed interest rate of 1.5% payable semi-annually to 16 March 2026, followed by a further year at the benchmark gilt rate plus 1.3% until maturity on 16 March 2027.

The total amount reported in the Statements of Financial Position represents the nominal value of £350.0 million (2023: £350.0 million) plus accrued interest and a fair value adjustment for hedged risk.

The notes rank behind the claims of all other creditors and members of the Society, other than holders of tier 2 capital.

24. Subscribed capital

	Group & Society 2024 £M	Group & Society 2023 £M
13 ⅜% permanent interest bearing shares	**–**	25.0
3 ¾% tier 2 capital	**8.0**	8.0
Total	**8.0**	33.0

In April 2024, the Society repurchased £25.0 million of PIBS. The repurchase resulted in an upfront cost for the Society of £23.4 million, which was recognised in the Other operating income/(expense) line in the Income Statement, but it also released the Society from the permanent obligation of paying a 13.375% interest rate to investors. The Society continues to meet its current and forecasted Minimum Requirement for Own Funds and Eligible Liabilities (MREL). This requirement ensures that institutions have a minimum amount of liabilities that can bear losses before and in resolution, allowing the resolution authority to use these financial resources to absorb losses and recapitalise the continuing business.

25. Retirement benefit obligation

(a) Overview of the Society's pension arrangements

The Group operates both defined benefit and defined contribution schemes. In addition, the Group has, for one individual (2023: one individual) in the UK, an employer funded retirement benefits scheme. The schemes have been accounted for under IAS 19 Employee Benefits.

The defined benefit scheme ('the scheme') provides benefits based on final salary for certain employees. The assets of the scheme are held in a separate trustee-administered fund. Contributions to the defined benefit section are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The defined benefit section was closed to new entrants from 1 January 2000 and closed to future benefit accrual from 31 December 2014. As at 31 December 2024 there were 244 deferred defined benefit members (2023: 287). The scheme surplus is capped at the maximum economic benefit the Group can access when the fair value of the scheme assets exceeds the present value of the defined benefit obligation. This cap is referred to as the asset ceiling. The Society's unfunded liability is £0.5 million (2023: £0.6 million) and is detailed below.

The scheme operates under UK trust law and the trust is a separate legal entity from the Society. The scheme is governed by a Trustee company: Leeds Building Society Staff Pension Scheme Limited. Directors of the Trustee company are required by law to act in the best interests of scheme members and are responsible for setting certain policies, such as investment and funding, together with the Society. Trustees are appointed in line with UK law and the scheme's Trust Deed and Rules.

The scheme's adopted and agreed funding target is 100% of its technical provisions. The trustees will continue to make annual checks on the funding position of the scheme, to confirm whether the scheme remains in line to meet any funding targets agreed.

The average duration of the benefit obligation is estimated to be 13 years (2023: 13 years).

The scheme is funded by the Society. Funding of the scheme is based on a separate actuarial valuation for funding purposes, for which the assumptions may differ from the assumptions below. The last actuarial valuation of the scheme was undertaken at 31 December 2023. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the trustees and the Society.

The defined benefit obligation at 31 December 2024 can be approximately attributed to the scheme members as follows:

- Deferred members: 42% (2023: 47%)
- Pensioner members: 58% (2023: 53%)

Year ended 31 December 2024

25. Retirement benefit obligation (continued)

(b) Actuarial risks

The defined benefit scheme exposes the Group to actuarial risks, as detailed below:

Risk	Impact
Interest rate risk	A decrease in corporate bond yields results in an increase in the present value of the scheme liabilities because the discount rate is linked to corporate bond yields
Inflation risk	An increase in inflation results in higher benefit increases for scheme members, increasing the scheme liabilities
Longevity risk	An increase in life expectancies results in a longer benefit payment period which in turn increases the scheme liabilities
Investment market risk	The value of the scheme's assets is impacted by the market prices of those assets

Actuarial gains and losses are recognised immediately in full through the Statements of Comprehensive Income.

(c) Valuation assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2024	2023
Discount rate	**5.40%**	4.60%
Price inflation		
RPI	**3.15%**	3.05%
CPI	**2.65%**	2.45%
Future pension increases		
RPI max 5%	**2.95%**	2.85%
RPI min 3% max 5%	**3.70%**	3.70%
Cash commutation	**100% of members assumed to take 80% of maximum tax free cash**	100% of members assumed to take 80% of maximum tax free cash
Mortality		
Actuarial base table	**S3PMA/S3PFA tables**	S2PMA/S2PFA tables
Future improvements	**CMI_2023 with 1% p.a. long-term trend, smoothing factor of 7, initial addition of 0, w2020 and w2021 parameters of 0% and w2022 and w2023 parameters of 100%**	CMI_2022 with 1% p.a. long-term trend, smoothing factor of 7, initial addition of 0, w2020 and w2021 parameters of 10% and w2022 parameter of 35%
Life expectancy		
Male at age 63	**22.8 years**	22.4 years
Female at age 63	**25.4 years**	24.6 years
Male at age 63 (currently aged 43)	**23.8 years**	23.4 years
Female at age 63 (current age 43)	**26.6 years**	25.8 years

The table above includes the life expectancy assumptions used in the accounting assessments. Pensioner life expectancies are for a member currently aged 63 retiring now. Non-pensioner life expectancies are for a member retiring at age 63 currently aged 43.

25. Retirement benefit obligation (continued)

(d) Reconciliation

	Group & Society 2024 £M	Group & Society 2023 £M
Present value of funded obligations	**(61.0)**	(70.2)
Present value of unfunded obligations	**(0.5)**	(0.6)
Funded scheme assets at fair value	**65.2**	73.7
Effect of asset ceiling	**(4.2)**	–
Retirement benefit (obligation)/surplus	**(0.5)**	2.9

Changes in the present value of the scheme's liabilities are as follows:

	Group & Society 2024 £M	Group & Society 2023 £M
At 1 January	**70.8**	70.2
Interest cost	**3.1**	3.3
Actuarial gains arising from changes in demographic assumptions	**(0.7)**	(1.4)
Actuarial (gains)/losses arising from changes in financial assumptions	**(6.0)**	0.7
Actuarial (gains)/losses on experience adjustment	**(1.5)**	1.8
Benefits paid	**(4.2)**	(3.8)
At 31 December	**61.5**	70.8

Changes in the present value of the scheme's assets are as follows:

	Group & Society 2024 £M	Group & Society 2023 £M
At 1 January	**73.7**	73.8
Interest income	**3.3**	3.5
Return on scheme assets excluding interest income	**(7.5)**	0.2
Contribution by employer	**0.4**	0.4
Administrative expenses	**(0.5)**	(0.4)
Benefits paid	**(4.2)**	(3.8)
At 31 December	**65.2**	73.7

Year ended 31 December 2024

25. Retirement benefit obligation (continued)

(e) Scheme assets

The major categories of scheme assets are as follows:

	Group & Society 2024 £M	Group & Society 2023 £M
Corporate bonds	**29.9**	40.0
Asset backed securities	**18.3**	12.3
Index-linked Government bonds	**12.8**	13.5
Cash and cash equivalents	**2.8**	2.7
Fixed-interest Government bonds	**1.4**	0.4
Absolute return bonds	**–**	4.8
Total assets	**65.2**	73.7

All assets have quoted market prices in active markets. The pension scheme assets include no assets from the Society's own financial issuances (unchanged from 2023). The pension scheme assets include no property occupied by, or other assets used by, the Society (unchanged from 2023).

(f) Amounts recognised in the Income Statements

	Group & Society 2024 £M	Group & Society 2023 £M
Administration expenses	**0.5**	0.4
Net interest on the defined benefit asset	**(0.2)**	(0.2)
Total cost – defined benefit scheme	**0.3**	0.2

(g) Amounts recognised in other comprehensive income

	Group & Society 2024 £M	Group & Society 2023 £M
Actuarial gains/(losses) on experience adjustment	**1.5**	(1.8)
Actuarial gains arising from changes in demographic assumptions	**0.7**	1.4
Actuarial gains/(losses) arising from changes in financial assumptions	**6.0**	(0.7)
Effect of asset ceiling	**(4.2)**	–
Percentage of scheme liabilities (%)	**6.5%**	(1.6)%
Return on scheme assets excluding interest income	**(7.5)**	0.2
Percentage of scheme assets (%)	**28.5%**	40.3%
Total loss recognised in SOCI during the year	**(3.5)**	(0.9)

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the date of transition to IFRS is a net loss of £26.1 million (2023: £22.6 million loss).

25. Retirement benefit obligation (continued)

(h) Sensitivity to changes in key assumptions

The table below gives a broad indication of the impact on the pension obligation of changes in assumptions and experience. All figures are before allowing for deferred tax. Although the analysis does not take account of the full distribution of cash flows expected, it does provide an approximation of the sensitivity of the assumptions shown.

Approximate impact on defined benefit obligation	Group & Society 2024 £M
Increase discount rate by 1.0%	**6.9**
Increase inflation assumption by 0.5%	**(2.8)**
Change long-term trend of increases in mortality improvement to 1.25%	**(0.3)**

(i) Estimated contributions for 2025 financial year

	Group & Society 2024 £M
Estimated employer normal contributions in financial year 2025	**0.4**

Annual agreed contributions will remain at this level until they are reviewed following the next actuarial valuation to be undertaken based on the position at 31 December 2024.

(j) Other considerations

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK and detailed investigations into historic scheme amendments remains ongoing and is at an early stage. The Group is aware of this legal ruling and the pension scheme trustees are in the process of reviewing historical pension amendments to determine if there is any potential impact on the defined benefit scheme valuation. Initial findings suggest that there are no material issues in relation to amendments post 2008, however further work to review earlier amendments remains ongoing and as such no adjustment has been made to the valuation at 31 December 2024.

26. Deferred tax

	Group 2024 £M	Group 2023 £M	Society 2024 £M	Society 2023 £M
Deferred tax				
At 1 January	**(35.4)**	(32.7)	**(32.3)**	(31.8)
Credit/(charge) in other comprehensive income for the period	**8.8**	(0.1)	**8.8**	(0.1)
Credit/(charge) to income statement for the period	**1.0**	(2.6)	**2.4**	(0.4)
At 31 December	**(25.6)**	(35.4)	**(21.1)**	(32.3)

	Group 2024 £M	Group 2023 £M	Society 2024 £M	Society 2023 £M
Deferred tax liabilities				
IFRS 9 transitional adjustment	**2.2**	3.0	**2.2**	3.0
Cash flow hedge reserve	**(25.9)**	(28.3)	**(25.9)**	(28.3)
Revaluation reserve	**(0.7)**	(0.7)	**(0.7)**	(0.7)
Pensions	**0.1**	(0.8)	**0.1**	(0.8)
Fair value reserve	**(0.9)**	(4.9)	**3.6**	(1.8)
Fixed assets	**(0.9)**	(4.0)	**(0.9)**	(4.0)
Trading items	**0.5**	0.3	**0.5**	0.3
Total deferred tax	**(25.6)**	(35.4)	**(21.1)**	(32.3)

The Society has an unrecognised outside basis taxable temporary difference of £1.9 million in relation to Leeds Building Society Covered Bonds LLP's cumulative undistributed losses for which the Society has already claimed a corporation tax deduction.

Year ended 31 December 2024

27. Tax effects relating to each component of other comprehensive income

	Group and Society 2024 £M	Group and Society 2023 £M
Tax benefit on cash flow hedge reserve	**2.4**	4.7
Tax benefit/(expense) on investment securities	**5.4**	(4.2)
Tax expense on revaluation loss on properties	**–**	(0.2)
Tax benefit on actuarial gains/losses on retirement benefit obligations	**1.0**	0.3
Tax expense on IFRS 9 transitional adjustment	**–**	(0.1)
Other comprehensive income	**8.8**	0.5

28. Cash flows from financing activities

For the purposes of the Statements of Cash Flows, debt securities in issue, subordinated liabilities and subscribed capital are classified as liabilities arising from financing activities. The table below provides a reconciliation of movements in liabilities arising from financing activities:

	Group 2024 £M	Group 2023 £M	Society 2024 £M	Society 2023 £M
At 1 January	**3,064.1**	3,217.7	**2,716.5**	3,126.9
Cash flows:				
Net proceeds from issue of debt securities	**910.1**	350.2	**560.2**	0.4
Repayments of debt securities in issue	**(503.8)**	(379.9)	**(433.4)**	(269.9)
Repayments of subscribed capital	**(48.4)**	(171.2)	**(48.4)**	(171.2)
Principal lease payments	**(1.4)**	(1.4)	**(1.4)**	(1.4)
Non-cash flows:				
Amortisation of discount on issue	**–**	(19.6)	**–**	(19.6)
Accrued interest movements	**6.6**	8.7	**5.2**	3.5
Foreign exchange movements	**–**	(9.1)	**–**	(9.1)
Movement in fair value	**20.6**	68.7	**12.8**	56.9
Loss on repurchase of subscribed capital	**23.4**	–	**23.4**	–
At 31 December	**3,471.2**	3,064.1	**2,834.9**	2,716.5

29. Guarantees and other financial commitments

(a) Subsidiary undertakings

The Society is obliged under the Building Societies Act 1986 to discharge the liabilities of its subsidiary undertakings to the extent they were incurred before 11 June 1996 and insofar as those bodies are unable to discharge their liabilities out of their own assets. The Society has provided a financial commitment to its subsidiaries and is required to buy back all defaulting mortgages in the underlying portfolio of the deemed loan to originator once they reach three months in arrears.

(b) Capital commitments

The Group has no capital commitments contracted for but not accrued for under executory contracts in the year (2023: £3.8 million inclusive of value added tax). As at 31 December 2024, there are no long-term multi-year contractual capital commitments for technology investment programmes (intangible assets and property, plant and equipment).

(c) Other commitments

The Group is committed to multi-year service contracts for the provision and maintenance of its IT infrastructure. The remaining commitment at 31 December 2024 is £37.0 million (2023: £40.1 million). These service contracts are not capital commitments and do not meet the definition of a lease under IFRS 16 since they do not give the Group the right to control the assets used to provide the service. They will be expensed in the Income Statement as they are incurred.

30. Related party transactions

Group

Key management personnel comprise the executive directors and non-executive directors, who are responsible for ensuring that the Society and its subsidiary undertakings meet their strategic and operational objectives. The Group enters into transactions in the ordinary course of business with directors of the Group and persons connected with the directors of the Group, on normal commercial terms.

Society

Details of the Society's shares in group undertakings and subsidiaries are given in note 15. A number of transactions are entered into with these related parties in the normal course of business. These include loans, deposits and the payment and recharge of administrative expenses.

The value of related party transactions, outstanding balances at the year end, and the related income and expenses for the year are as follows:

	Society subsidiaries		Directors and connected persons	
	2024 £M	2023 £M	**2024 £M**	2023 £M
Deposits payable by the Society				
Deposits outstanding at 1 January	**351.7**	175.1	**0.5**	0.2
Net movement during the year	**280.1**	176.6	**0.4**	0.3
Deposits outstanding at 31 December	**631.8**	351.7	**0.9**	0.5

Directors' emoluments include those emoluments received by directors from the Society and its associated bodies. Further information on directors' emoluments is included in the Directors' Remuneration Report on pages 136 to 151. No directors are active members of the defined benefit section of the Leeds Building Society Pension Scheme (2023: none). Two directors were active members of the defined contribution section of the Leeds Building Society Pension Scheme during 2024 (2023: two).

Year ended 31 December 2024

31. Derivative financial instruments and hedge accounting

(a) Derivative financial instruments

Derivative financial instruments are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates or foreign exchange rates. These types of instruments tend to have a smaller or no initial net investment relative to financial assets or liabilities offering the same risk and return, as cash flows are generally settled at a future date.

Derivatives are only used by the Group in accordance with Section 9A of the Building Societies Act 1986, to reduce the risk of loss arising from changes in interest rates or other factors of a prescribed description which affect the business. Accordingly, such instruments are not used in trading activity or for speculative purposes. The Group utilises its derivative instruments for hedging purposes only.

The main derivatives used by the Group are interest rate swaps and cross currency swaps. The following table describes the significant activities undertaken by the Group, the related risks associated with such activities and the types of derivatives which are typically used in managing such risks. These risks may alternatively be managed using natural hedges that exist in the Group Statement of Financial Position.

Activity	Risk	Type of derivative	Hedge accounting
Fixed rate mortgage lending	Sensitivity to changes in interest rates	Pay fixed interest rate swaps	Fair value hedge Cash flow hedge
Fixed rate asset investments	Sensitivity to changes in interest rates	Pay fixed interest rate swaps	Fair value hedge
Fixed rate savings products	Sensitivity to changes in interest rates	Receive fixed interest rate swaps	Fair value hedge
Fixed rate wholesale funding	Sensitivity to changes in interest rates	Receive fixed interest rate swaps	Fair value hedge
Equity release mortgages	Sensitivity to changes in interest rates	Pay fixed interest rate swaps	–
Investment and funding in foreign currency	Sensitivity to changes in foreign exchange rates	Cross currency interest rate swaps and foreign exchange contracts	–

The Group manages risk within its risk tolerance, regardless of the accounting treatment. Derivatives are entered into only when the underlying position being hedged contains the same risk features. The derivative used will match the risks of the underlying asset or liability and therefore hedge the associated market risk.

All derivatives entered into by the Group are used for hedging purposes, however not all are designated as such for accounting purposes. Some derivatives are held as economic hedges to which hedge accounting does not need to be applied. In these cases a natural offset may be achieved; these types of hedges are only entered into where a high degree of effectiveness can be achieved.

Cross currency interest rate swaps are used to reduce both the interest rate risk and exchange rate risk exposures that come from funding in foreign currency.

The table below shows the value of derivatives by type:

	Group 2024			Group 2023		
	Contract or underlying principal amount £M	**Positive fair value £M**	**Negative fair value £M**	Contract or underlying principal amount £M	Positive fair value £M	Negative fair value £M
Interest rate swaps available to designate in accounting hedges	**28,753.6**	**369.4**	**(90.3)**	24,335.1	442.8	(208.7)
Derivatives not designated in accounting hedges:						
Equity release swaps	**57.2**	**–**	**(7.7)**	61.5	–	(18.9)
Interest rate swaps	**–**	**–**	**–**	–	–	–
Cross currency swaps	**43.8**	**1.7**	**–**	494.3	0.8	(5.4)
Total derivatives held for hedging purposes	**28,854.6**	**371.1**	**(98.0)**	24,890.9	443.6	(233.0)

31. Derivative financial instruments and hedge accounting (continued)

(a) Derivative financial instruments (continued)

	Society 2024			Society 2023		
	Contract or underlying principal amount £M	Positive fair value £M	Negative fair value £M	Contract or underlying principal amount £M	Positive fair value £M	Negative fair value £M
Interest rate swaps available to designate in accounting hedges	**28,753.6**	**369.4**	**(90.3)**	23,901.5	442.8	(197.6)
Derivatives not designated in accounting hedges:						
Equity release swaps	**57.2**	**–**	**(7.7)**	61.5	–	(18.9)
Interest rate swaps	**658.1**	**–**	**(19.2)**	371.9	–	(16.3)
Cross currency swaps	**43.8**	**1.7**	**–**	53.8	0.8	–
Total derivatives held for hedging purposes	**29,512.7**	**371.1**	**(117.2)**	24,388.7	443.6	(232.8)

The following tables analyse derivatives by contractual maturity:

	Group 2024		Group 2023	
	Notional principal amount £M	Replacement cost £M	Notional principal amount £M	Replacement cost £M
Less than 1 year	**10,961.7**	**29.0**	8,428.9	43.9
Between 1 and 5 years inclusive	**16,877.9**	**311.9**	15,711.5	381.5
More than 5 years	**1,015.0**	**30.2**	750.5	18.2
Total derivatives	**28,854.6**	**371.1**	24,890.9	443.6

	Society 2024		Society 2023	
	Notional principal amount £M	Replacement cost £M	Notional principal amount £M	Replacement cost £M
Less than 1 year	**10,961.7**	**29.0**	7,554.8	43.9
Between 1 and 5 years inclusive	**17,536.0**	**311.9**	16,083.4	381.5
More than 5 years	**1,015.0**	**30.2**	750.5	18.2
Total derivatives	**29,512.7**	**371.1**	24,388.7	443.6

(b) Hedge accounting

The Group holds a portfolio of fixed rate mortgages, savings and investments and is therefore exposed to changes in interest rate risk (see Risk Management Report, page 80). As shown in the table on page 208 the Group manages this risk by entering into interest rate swaps that either pay or receive a fixed rate.

By entering into these swaps the Group is hedging interest rate risk only. Other risks, such as credit risk, are managed but not hedged. These risks are managed by entering into swap contracts with high quality counterparties, requiring the posting of collateral and clearing swaps through central counterparties.

The exposure from interest rate risk fluctuates due to new products being added, products maturing and early repayments in the case of mortgage products. For this reason the Group utilises a dynamic hedge accounting strategy (also known as macro hedging) to manage the exposure created by entering into swap contracts this way.

Year ended 31 December 2024

31. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

The notional value of interest rate swaps designated into accounting hedge relationships is as follows, analysed by maturity date:

Group 2024	**Less than 3 months £M**	**3 to 12 months £M**	**1 to 5 years £M**	**More than 5 years £M**
Macro fair value hedges of loans and advances to customers				
Swap notional	**13.1**	**2,714.8**	**12,910.3**	**428.8**
Average fixed rate	**1.1%**	**3.9%**	**3.1%**	**3.1%**
Macro fair value hedges of shares				
Swap notional	**1,024.0**	**6,141.0**	**1,837.5**	**–**
Average fixed rate	**4.8%**	**4.7%**	**4.4%**	**–**
Micro fair value hedges of wholesale funding denominated in Sterling				
Swap notional	**–**	**–**	**700.0**	**–**
Average fixed rate	**–**	**–**	**1.4%**	**–**
Micro fair value hedges of wholesale funding denominated in Euros				
Swap notional	**–**	**–**	**–**	**–**
Average fixed rate	**–**	**–**	**–**	**–**
Macro cash flow hedges				
Swap notional	**–**	**–**	**–**	**525.0**
Average fixed rate	**–**	**–**	**–**	**3.6%**

Group 2023	Less than 3 months £M	3 to 12 months £M	1 to 5 years £M	More than 5 years £M
Macro fair value hedges of loans and advances to customers				
Swap notional	10.0	1,030.2	9,979.2	669.8
Average fixed rate	1.1%	1.7%	2.6%	3.9%
Macro fair value hedges of shares				
Swap notional	–	3,825.0	4,590.5	–
Average fixed rate	–	4.7%	4.7%	–
Micro fair value hedges of wholesale funding denominated in Sterling				
Swap notional	–	–	700.0	–
Average fixed rate	–	–	1.4%	–
Micro fair value hedges of wholesale funding denominated in Euros				
Swap notional	–	433.5	–	–
Average fixed rate	–	0.5%	–	–
Macro cash flow hedges				
Swap notional	–	–	–	450.0
Average fixed rate	–	–	–	4.3%

31. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(i) Fair value hedge accounting

The Group uses macro fair value hedges to recognise the changes in fair value of the hedged items (mortgage and savings products) due to the changes in interest rates and therefore can mitigate the impact on profit and loss that would arise if only the changes in fair value from the interest rate swaps were recognised.

In addition to the macro fair value hedges used to manage the interest rate risk of mortgages and savings, the Group also uses one-to-one hedges, known as micro hedges, to manage the interest rate risk of fixed rate wholesale funding issuances. In this type of hedge a single swap is matched directly against a fixed rate bond and remains matched until maturity or a de-designation event (such as becoming ineffective). The changes in fair value are recognised in the same way as the macro hedge, with the change in the fair value of the bond and swap being offset to reduce volatility in the Income Statement.

The tables below provide analysis of the impacts of fair value hedge accounting on the Statement of Financial Position and the Income Statement:

	Interest rate swaps			**Hedged items**				
		Carrying amount (Note 1)		**Carrying amount**		**Accumulated fair value adjustments**		
Group 2024	**Notional amount £M**	**Assets £M**	**Liabilities £M**	**Assets £M**	**Liabilities £M**	**Assets £M**	**Liabilities £M**	**SOFP line item**
Hedge of loans and advances to customers	**16,067.0**	**319.6**	**(29.2)**	**16,751.3**	**–**	**28.9**	**(324.8)**	**Note 2**
Hedge of shares	**9,002.5**	**14.2**	**(6.5)**	**–**	**8,876.1**	**6.4**	**(12.9)**	**Note 3**
Hedge of wholesale funding denominated in Sterling	**700.0**	**–**	**(46.9)**	**–**	**700.0**	**47.0**	**–**	**Note 4**
Hedge of wholesale funding denominated in Euros	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**Note 4**

	Interest rate swaps			Hedged items				
		Carrying amount (Note 1)		Carrying amount		Accumulated fair value adjustments		
Group 2023	Notional amount £M	Assets £M	Liabilities £M	Assets £M	Liabilities £M	Assets £M	Liabilities £M	SOFP line item
Hedge of loans and advances to customers	11,689.2	362.5	(77.0)	12,085.1	–	78.4	(359.0)	Note 2
Hedge of shares	8,415.5	49.4	(16.6)	–	8,385.1	15.5	(57.6)	Note 3
Hedge of wholesale funding denominated in Sterling	700.0	–	(59.8)	–	700.0	59.8	–	Note 4
Hedge of wholesale funding denominated in Euros	433.5	–	(7.7)	–	433.5	7.7	–	Note 4

Notes:
The Statement of Financial Position lines that include the items noted above are:

1. 'Derivative financial instruments'.
2. 'Fair value adjustment for hedged risk on loans and advances to customers'.
3. 'Fair value adjustment for hedged risk on shares'.
4. 'Debt securities in issue' and 'Subordinated liabilities'.

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31. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(i) Fair value hedge accounting (continued)

Group 2024	**Change in fair value of hedging instrument (Note 1) £M**	**Change in fair value of hedged item (Note 1) £M**	**Total hedge ineffectiveness (Note 2) £M**	**Accumulated amount of fair value adjustments remaining in the SOFP £M**
Loans and advances to customers	**4.9**	**(15.3)**	**(10.4)**	**122.9**
Shares	**(25.0)**	**35.7**	**10.6**	**(2.4)**
Wholesale funding denominated in Sterling	**12.8**	**(12.8)**	**–**	**–**
Wholesale funding denominated in Euros	**–**	**–**	**–**	**–**

Group 2023	Change in fair value of hedging instrument (Note 1) £M	Change in fair value of hedged item (Note 1) £M	Total hedge ineffectiveness (Note 2) £M	Accumulated amount of fair value adjustments remaining in the SOFP £M
Loans and advances to customers	(366.9)	386.5	19.6	148.4
Shares	97.1	(101.1)	(4.0)	11.2
Wholesale funding denominated in Sterling	28.3	(29.8)	(1.5)	(0.6)
Wholesale funding denominated in Euros	11.5	(11.5)	–	(0.4)

Notes

1. The change in fair value during the period was used as the basis for calculating hedge ineffectiveness and was recognised in the 'Fair value gains/(losses) from financial instruments' line in the Income Statement.
2. The amount of hedge ineffectiveness during the period was recognised in the 'Fair value gains/(losses) from financial instruments' line in the Income Statement.

(ii) Cash flow hedge accounting

The Group applies macro cash flow hedge accounting to a portion of its floating rate financial liabilities which are matched (for the purposes of hedge accounting only) with pay fixed, receive floating rate interest rate swaps which have been transacted to economically hedge mortgage applications, prior to completion of the mortgage. Any movements in fair value of the swaps arising due to movements in interest rates are recognised in other comprehensive income to the extent that the hedge relationship is effective. The Group aims to maintain a position where the principal amount of the hedged items (floating rate financial liabilities) is greater than or equal to the notional amount of the corresponding interest rate swaps used as the hedging instruments. The hedge accounting relationship is reassessed on a monthly basis with the composition of hedging instruments and hedged items changing frequently in line with the underlying risk exposures.

The table below provides further detail on the Group's cash flow hedge accounting relationships.

	Interest rate swaps			**Hedged items**		
		Carrying amount (Note 1)		**Carrying amount**		
Group 2024	**Notional amount £M**	**Assets £M**	**Liabilities £M**	**Assets £M**	**Liabilities £M**	**SOFP line item**
Floating rate liabilities	**525.0**	**8.1**	**–**	**–**	**(525.0)**	**Note 2**

31. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(ii) Cash flow hedge accounting (continued)

Group 2023	Interest rate swaps Notional amount £M	Interest rate swaps Carrying amount (Note 1) Assets £M	Interest rate swaps Carrying amount (Note 1) Liabilities £M	Hedged items Carrying amount Assets £M	Hedged items Carrying amount Liabilities £M	Hedged items SOFP line item
Floating rate liabilities	450.0	–	(18.0)	–	(450.0)	Note 2

Notes:

The Statement of Financial Position lines that include the items noted above are:

1. 'Derivative financial instruments'.
2. 'Debt securities in issue'.

Group 2024	**Change in fair value of hedging instrument (Note 1) £M**	**Change in fair value of hedge item £M**	**Total hedge ineffectiveness (Note 2) £M**	**Accumulated amount of fair value adjustments remaining in OCI (Note 3) £M**	**Gains reclassified from OCI to Income Statement (Note 4) £M**
Floating rate liabilities	**28.8**	**(29.3)**	**0.5**	**92.5**	**29.4**

Group 2023	Change in fair value of hedging instrument (Note 1) £M	Change in fair value of hedge item £M	Total hedge ineffectiveness (Note 2) £M	Accumulated amount of fair value adjustments remaining in OCI (Note 3) £M	Gains reclassified from OCI to Income Statement (Note 4) £M
Floating rate liabilities	128.1	(128.3)	0.2	101.2	26.7

Notes:

1. The change in fair value during the period was used as the basis for calculating hedge ineffectiveness and was recognised in the 'Cash flow hedge reserve' line in the Statement of Financial Position.
2. The amount of hedge ineffectiveness during the period was recognised in the 'Fair value gains/(losses) from financial instruments' line in the Income Statement.
3. The accumulated amount of fair value adjustments remaining in OCI are reported in the 'Cash flow hedge reserve' line in the Statement of Financial Position.
4. The gains that were reclassified from OCI to the Income Statement during the period were recognised in the 'Fair value gains/(losses) from financial instruments' line in the Income Statement.

Macro cash flow hedge effectiveness is assessed by comparing the changes in the fair value of the hedging instruments with changes in the fair value of the hedged items attributable to the hedged risk, using the hypothetical derivative method.

Possible sources of ineffectiveness are as follows:

- Differences in timing of cash flows between the derivative and the hedged item.
- Differences between the expected and actual volume of prepayments where a portfolio is being hedged, as the hedging ratio is calculated with regard to expected repayment dates, taking account of expected prepayments based on past experience.
- Hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument.

Year ended 31 December 2024

32. Fair values

(a) Carrying value and fair value of financial instruments not carried at fair value

The classification and measurement categories of the Group's financial assets and liabilities are detailed in note 10.

The following tables summarise the carrying amounts and fair values of those financial assets and liabilities not carried at fair value in the Statement of Financial Position. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated for other financial instruments by discounting cash flows at prevailing interest rates.

			Group 2024		Society 2024	
		Fair value hierarchy level	**Carrying value £M**	**Fair value £M**	**Carrying value £M**	**Fair value £M**
Financial assets:						
Cash in hand and balances with the Bank of England		**Level 1**	**2,443.2**	**2,443.2**	**2,443.2**	**2,443.2**
Loans and advances to credit institutions	i)	**Level 2**	**152.3**	**152.3**	**15.2**	**15.2**
Investment securities	v)	**Level 1**	**10.5**	**10.5**	**10.5**	**10.5**
Loans and advances to customers						
Loans fully secured on residential property	ii)	**Level 3**	**24,402.7**	**24,353.9**	**24,402.7**	**24,353.9**
Other loans	ii)	**Level 2**	**2.8**	**2.8**	**2.8**	**2.8**
Other assets, prepayments and accrued income*	vi)	**Level 1**	**221.4**	**221.4**	**221.4**	**221.4**
Other assets, prepayments and accrued income*	vi)	**Level 2**	**–**	**–**	**76.6**	**76.6**
Financial liabilities:						
Shares	ii)	**Level 2**	**24,529.8**	**24,501.0**	**24,529.8**	**24,501.0**
Amounts owed to credit institutions	iii)	**Level 2**	**1,244.2**	**1,244.2**	**1,244.2**	**1,244.2**
Amounts owed to other customers	ii)	**Level 2**	**159.3**	**159.3**	**791.1**	**791.1**
Debt securities in issue	iv)	**Level 1**	**2,526.4**	**2,506.1**	**2,526.4**	**2,506.1**
Debt securities in issue	iv)	**Level 2**	**636.1**	**628.7**	**–**	**–**
Other liabilities and accruals*	vi)	**Level 2**	**316.7**	**316.7**	**310.7**	**310.7**
Subordinated liabilities	v)	**Level 1**	**350.4**	**337.3**	**350.4**	**337.3**
Subscribed capital	v)	**Level 1**	**8.0**	**8.0**	**8.0**	**8.0**

			Group 2023		Society 2023	
		Fair value hierarchy level	Carrying value £M	Fair value £M	Carrying value £M	Fair value £M
Financial assets:						
Cash in hand and balances with the Bank of England		Level 1	2,830.0	2,830.0	2,830.0	2,830.0
Loans and advances to credit institutions	i)	Level 2	213.7	213.7	109.2	109.2
Investment securities	v)	Level 1	–	–	–	–
Loans and advances to customers						
Loans fully secured on residential property	ii)	Level 3	21,782.9	21,375.6	21,782.9	21,375.6
Other loans	ii)	Level 2	4.7	4.7	4.7	4.7
Other assets, prepayments and accrued income*	vi)	Level 1	208.2	208.2	246.5	246.5
Other assets, prepayments and accrued income*	vi)	Level 2	–	–	38.3	38.3
Financial liabilities:						
Shares	ii)	Level 2	20,793.0	20,747.2	20,793.0	20,747.2
Amounts owed to credit institutions	iii)	Level 2	1,869.3	1,869.3	1,869.3	1,869.3
Amounts owed to other customers	ii)	Level 2	169.9	169.9	521.6	521.6
Debt securities in issue	iv)	Level 1	2,400.3	2,365.3	2,394.8	2,357.6
Debt securities in issue	iv)	Level 2	349.8	349.9	–	–
Other liabilities and accruals*	vi)	Level 2	267.7	267.7	267.7	267.7
Subordinated liabilities	v)	Level 1	349.9	322.1	349.9	322.1
Subscribed capital	v)	Level 1	33.0	51.3	33.0	51.3

*The presentation of the 2023 Group and Society comparatives has been restated to include other assets, prepayments and accrued income and other liabilities and accruals, which relate to third party collateral balances and intercompany securitisation notes held by the Society. Both meet the criteria for classification of financial instruments under IFRS 9.

32. Fair values (continued)

(a) Carrying value and fair value of financial instruments not carried at fair value (continued)

Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The following methods and assumptions have been applied in determining fair value:

i. The carrying amount of loans and advances to credit institutions, with a maturity of less than 12 months, is assumed to equate to their fair value.

ii. The fair value of loans and advances to customers, shares and amounts owed to other customers is calculated using the EIR method on the discounted cash flow basis, which also includes an assessment of future credit loss where appropriate.

iii. The fair value of floating rate and overnight deposits is approximately equal to their carrying amount. The estimated fair value of fixed rate loans and deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

iv. Debt securities in issue are valued by reference to their market value where an active market exists. Where no active market exists, a discounted cash flow approach is used.

v. The fair value of investment securities, subordinated liabilities and subscribed capital is obtained from market prices.

vi. The carrying amount of other assets and other liabilities are assumed to equate to their fair value as these either have short term maturity (less than three months), are liquid or are floating rate instruments.

(b) Fair value measurement basis for financial instruments carried at fair value

The table below classifies all assets and liabilities carried at fair value in the Statement of Financial Position according to the method used to establish their fair value.

Group 2024	**Level 1 £M**	**Level 2 £M**	**Level 3 £M**	**Total £M**
Assets:				
Investment securities	**3,939.5**	**–**	**–**	**3,939.5**
Derivative financial instruments	**–**	**371.1**	**–**	**371.1**
Loans and advances to customers	**–**	**–**	**145.0**	**145.0**
Fair value adjustment for hedged risk on loans and advances to customers	**–**	**–**	**(173.1)**	**(173.1)**
Total assets	**3,939.5**	**371.1**	**(28.1)**	**4,282.5**
Liabilities:				
Fair value adjustment for hedged risk on shares	**–**	**8.8**	**–**	**8.8**
Derivative financial instruments	**–**	**92.1**	**5.9**	**98.0**
Debt securities in issue	**–**	**(30.8)**	**–**	**(30.8)**
Subordinated liabilities	**–**	**(16.2)**	**–**	**(16.2)**
Total liabilities	**–**	**53.9**	**5.9**	**59.8**

Group 2023	Level 1 £M	Level 2 £M	Level 3 £M	Total £M
Assets:				
Investment securities	965.3	1,550.3	–	2,515.6
Derivative financial instruments	–	443.6	–	443.6
Loans and advances to customers	–	–	153.6	153.6
Fair value adjustment for hedged risk on loans and advances to customers	–	–	(132.3)	(132.3)
Total assets	965.3	1,993.9	21.3	2,980.5
Liabilities:				
Fair value adjustment for hedged risk on shares	–	31.9	–	31.9
Derivative financial instruments	–	218.1	14.9	233.0
Debt securities in issue	–	(41.5)	–	(41.5)
Subordinated liabilities	–	(26.0)	–	(26.0)
Total liabilities	–	182.5	14.9	197.4

Debt securities in issue and subordinated liabilities represent the fair value adjustment for hedged risk on these items.

Year ended 31 December 2024

32. Fair values (continued)

(b) Fair value measurement basis for financial instruments carried at fair value (continued)

Society 2024	**Level 1 £M**	**Level 2 £M**	**Level 3 £M**	**Total £M**
Assets:				
Investment securities	**3,939.5**	**–**	**–**	**3,939.5**
Derivative financial instruments	**–**	**371.1**	**–**	**371.1**
Loans and advances to customers	**–**	**–**	**145.0**	**145.0**
Fair value adjustment for hedged risk on loans and advances to customers	**–**	**–**	**(173.1)**	**(173.1)**
Total assets	**3,939.5**	**371.1**	**(28.1)**	**4,282.5**
Liabilities:				
Fair value adjustment for hedged risk on shares	**–**	**8.8**	**–**	**8.8**
Derivative financial instruments	**–**	**92.1**	**25.1**	**117.2**
Debt securities in issue	**–**	**(30.8)**	**–**	**(30.8)**
Subordinated liabilities	**–**	**(16.2)**	**–**	**(16.2)**
Total liabilities	**–**	**53.9**	**25.1**	**79.0**

Society 2023	Level 1 £M	Level 2 £M	Level 3 £M	Total £M
Assets:				
Investment securities	965.3	1,550.3	–	2,515.6
Derivative financial instruments	–	443.6	–	443.6
Loans and advances to customers	–	–	153.6	153.6
Fair value adjustment for hedged risk on loans and advances to customers	–	–	(132.3)	(132.3)
Total assets	965.3	1,993.9	21.3	2,980.5
Liabilities:				
Fair value adjustment for hedged risk on shares	–	31.9	–	31.9
Derivative financial instruments	–	201.6	31.2	232.8
Debt securities in issue	–	(33.8)	–	(33.8)
Subordinated liabilities	–	(26.0)	–	(26.0)
Total liabilities	–	173.7	31.2	204.9

Level 1: Relates to financial instruments where fair values are taken from quoted prices in active markets for identical assets or liabilities, without adjustment.

Level 2: Valuations of financial instruments for which significant inputs are taken from observable market data for the asset and liability. These include quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets which are not active. These also include where valuation models are used to calculate the present values of expected future cash flows, using solely inputs (such as interest rate curves) from published market observable sources.

Level 3: The valuation of the asset or liability is not solely based on observable market data and includes unobservable inputs. Valuation techniques include net present value and discounted cash flow methods. The assumptions used in such models include risk-free benchmark interest rates, foreign currency exchange rates and expected price volatilities. The objective of the valuation techniques is to determine a fair value that reflects the price of the financial instrument that would have been used by two counterparties in an arm's length transaction.

32. Fair values (continued)

(c) Reconciliation of level 3 fair value measurements of financial instruments

Group 2024	**Derivative financial instruments £M**	**Loans and advances to customers £M**	**Fair value adjustment for hedged risk £M**	**Total £M**
At 1 January 2024	**(14.9)**	**153.6**	**(132.3)**	**6.4**
Total gains/(losses) in the Income Statement	**9.0**	**(7.6)**	**–**	**1.4**
Movement in fair value adjustment for hedged risk on loans and advances to customers	**–**	**–**	**(40.8)**	**(40.8)**
Net repayment in the year	**–**	**(1.0)**	**–**	**(1.0)**
At 31 December 2024	**(5.9)**	**145.0**	**(173.1)**	**(34.0)**

Group 2023	Derivative financial instruments £M	Loans and advances to customers £M	Fair value adjustment for hedged risk £M	Total £M
At 1 January 2023	(26.9)	161.9	(585.9)	(450.9)
Total gains/(losses) in the Income Statement	1.4	(6.9)	–	(5.5)
Movement in fair value adjustment for hedged risk on loans and advances to customers	–	–	453.6	453.6
Net repayment in the year	10.6	(1.4)	–	9.2
At 31 December 2023	(14.9)	153.6	(132.3)	6.4

Society 2024	**Derivative financial instruments £M**	**Loans and advances to customers £M**	**Fair value adjustment for hedged risk £M**	**Total £M**
At 1 January 2024	**(31.2)**	**153.6**	**(132.3)**	**(9.9)**
Total losses in the Income Statement	**6.1**	**(7.6)**	**–**	**(1.5)**
Movement in fair value adjustment for hedged risk on loans and advances to customers	**–**	**–**	**(40.8)**	**(40.8)**
Net repayment in the year	**–**	**(1.0)**	**–**	**(1.0)**
At 31 December 2024	**(25.1)**	**145.0**	**(173.1)**	**(53.2)**

Society 2023	Derivative financial instruments £M	Loans and advances to customers £M	Fair value adjustment for hedged risk £M	Total £M
At 1 January 2023	(32.2)	161.9	(585.9)	(456.2)
Total gains in the Income Statement	(6.5)	(6.9)	–	(13.4)
Movement in fair value adjustment for hedged risk on loans and advances to customers	–	–	453.6	453.6
Net repayment in the year	7.5	(1.4)	–	6.1
At 31 December 2023	(31.2)	153.6	(132.3)	(9.9)

Total gains/(losses) for the year are included in ‘Fair value gains/(losses) from financial instruments’ in the Income Statement.

No transfers were made into or out of level 3 within the year.

Year ended 31 December 2024

32. Fair values (continued)

(d) Recurring fair value measurement

Financial assets/ financial liabilities	Fair value at 31 December 2024	Fair value at 31 December 2023	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment securities	**Group** Assets - £3,939.5 million **Society** Assets - £3,939.5 million	**Group** Assets - £965.3 million **Society** Assets - £965.3 million	Level 1	Quoted bid prices in an active market sourced from third-party data providers.	N/A	N/A
Derivative financial instruments (interest rate swaps)	**Group** Assets - £369.4 million and Liabilities - £90.3 million **Society** Assets - £369.4 million and Liabilities - £90.3 million	**Group** Assets - £442.8 million and Liabilities - £208.7 million **Society** Assets - £442.8 million and Liabilities - £197.6 million	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk exposure to the various counterparties.	N/A	N/A
Derivative financial instruments (cross currency swaps)	**Group** Assets - £1.7 million **Society** Assets - £1.7 million	**Group** Assets - £0.8 million and Liabilities - £5.4 million **Society** Assets - £0.8 million	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates discounted at a rate that reflects the credit risk exposure to the various counterparties. Any foreign currency amounts are translated into sterling at the contract exchange rate.	N/A	N/A
Derivative financial instruments (equity release swaps) (Level 2)	**Group** Liabilities - £1.8 million **Society** Liabilities - £1.8 million	**Group** Liabilities - £4.0 million **Society** Liabilities - £4.0 million	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates discounted at a rate that reflects the credit risk exposure to the counterparty. The profile of future notional amounts is specified in the contract.	N/A	N/A
Fair value adjustment for hedged risk on shares	**Group** Liabilities - £8.8 million **Society** Liabilities - £8.8 million	**Group** Liabilities - £31.9 million **Society** Liabilities - £31.9 million	Level 2	Discounted cash flow. Future cash flows are estimated based on contractual interest rates and balances of fixed rate shares, discounted at the risk free rate.	N/A	N/A

32. Fair values (continued)

(d) Recurring fair value measurement (continued)

Financial assets/ financial liabilities	Fair value at 31 December 2024	Fair value at 31 December 2023	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt securities in issue	**Group** Liabilities - £30.8 million **Society** Liabilities - £30.8 million	Group Liabilities - £41.5 million Society Liabilities - £33.8 million	Level 2	Discounted cash flow. Future cash flows are estimated based contractual interest rates and balances of fixed rate shares, discounted at the risk free rate.	N/A	N/A
Subordinated liabilities	Group Liabilities - £16.2 million Society Liabilities - £16.2 million	Group Liabilities - £26.0 million Society Liabilities - £26.0 million	Level 2	Discounted cash flow. Future cash flows are estimated based contractual interest rates and balances of wholesale debt.	N/A	N/A
Derivative financial instruments (equity release swaps) (Level 3)	**Group** Liabilities - £5.9 million **Society** Liabilities - £5.9 million	**Group** Liabilities - £14.9 million **Society** Liabilities - £14.9 million	Level 3	Discounted cash flow. Future cash flows are based on a projection of interest rates and RPI, a discount rate to reflect the counterparty risk and assumptions for future mortality and prepayment which determine the profile of future notional amounts.	Assumptions on future life expectancy of customers based on best estimate mortality data. Assumptions on the level of prepayment.	An increase in life expectancy or reduction in prepayments will increase the value of the liability.
Derivative financial instruments (securitisation swaps)	**Society** Liabilities - £19.2 million	**Society** Liabilities - £16.3 million	Level 3	Discounted cash flow. The valuations are based on a discounted cash flow model which uses a projection of interest rates, a discount rate to reflect the counterparty risk and assumptions for future prepayment. The notional profile of the swaps tracks the balance of a loan portfolio which is subject to assumptions about the rate of prepayment.	Assumptions on future notional balances related to mortgage prepayment rates.	An increase in prepayment rates will increase the fair value of the swaps.
Loans and advances to customers (collateral loan)	**Group** Assets - £145.0 million **Society** Assets - £145.0 million	**Group** Assets - £153.6 million **Society** Assets - £153.6 million	Level 3	Discounted cash flow. The valuations are based on a discounted cash flow model which uses projections of interest rates, a discount rate and assumptions for future mortality and prepayment. The no negative equity component of the loan is valued using a stochastic modelling technique.	Assumptions on future life expectancy of customers based on best estimate mortality data. Assumptions on the level of repayment, house price volatility and the discount rate.	An increase in life expectancy or reduction in prepayment will increase the value of the asset. An increase in house price volatility or the discount rate will reduce the value of the asset.
Fair value adjustment for hedged risk on loans and advances to customers	**Group** Assets - £(173.1 million) **Society** Assets - £(173.1 million)	**Group** Assets - £(132.3 million) **Society** Assets - £(132.3 million)	Level 3	Discounted cash flow. Future cash flows are estimated based on contractual interest rates and projected fixed rate mortgage balances, discounted at the risk free rate.	Assumptions on future mortgage balances related to mortgage prepayment rates.	An increase in prepayment rates will reduce the value of the fair value adjustment.

32. Fair values (continued)

(e) Level 3 unobservable inputs

(i) Derivative financial instruments (securitisation swaps and Level 3 equity release swaps)

The valuation of securitisation swaps (interest rate swaps) is performed using a combination of observable market interest rate data and unobservable assumptions about future mortgage prepayment. At 31 December 2024, a 10% proportionate increase in prepayments would lead to a decrease in the swaps, which are currently recognised as liability, of £1.4 million. A 10% proportionate reduction in prepayments would increase the net value of the swap liabilities by £1.4 million. These sensitivities reflect the variability in prepayment rates observed historically.

The deal 3 equity release swap is linked to RPI and is valued using a discounted cash flow model which uses observable market data for RPI and the discount rate used to discount future cash flows and unobservable input assumptions for prepayment rates. Wherever possible these input assumptions are calculated with reference to actual historic experience. The variable which is considered to have the largest impact on the value of the swap is the prepayment rate. At 31 December 2024, a one percentage point increase in the assumed prepayment rate would reduce the value of the swap liability by £0.2 million, resulting in a corresponding fair value gain in the Income Statement. A one percentage point reduction in the assumed prepayment rate would increase the value of the swap liability by £0.2 million, resulting in a corresponding fair value loss in the Income Statement.

(ii) Loans and advances to customers (collateral loan)

The collateral loan which represents a pool of equity release mortgages is valued using a discounted cash flow model which uses unobservable input assumptions for property price volatility, sales price haircut, mortality, prepayment and the discount rate used to discount future cash flows. Wherever possible these input assumptions are calculated with reference to actual historic experience. The variables which are considered to have the largest impact on the value of the loan are discount rate, property price volatility and the sales price haircut. The sensitivities below reflect a range of alternative assumptions based on observed historic data and regulatory guidance.

Assumption	Sensitivity modelled for current assumption	(Decrease)/increase in fair value of collateral loan (£M)
Discount rate	+/- 1 percentage point	(10.1)/11.4
Property price volatility	+/- 3 percentage points	(3.9)/3.5
Sales price haircut	+/- 5 percentage points	(3.1)/2.7

(iii) Fair value adjustment for hedged risk on loans and advances to customers

The Group designates a portfolio of fixed rate mortgages into hedge relationships to mitigate interest rate risk. The calculation of the fair value uses observable market interest rate data and assumptions about projected prepayments. These prepayment assumptions are unobservable inputs that are calculated using historic data and reviewed periodically so that projections are broadly in line with actual data, with sensitivities calculated based on historic observed variability.

At 31 December 2024, a 20% proportionate increase in mortgage prepayments would lead to a reduction in the fair value of the mortgages in the hedge relationship of £4.3 million. A 20% proportionate decrease in mortgage prepayments would lead to an increase in the fair value of the mortgages of £3.6 million.

33. Events after the date of the Statement of Financial Position

There have been no subsequent events between 31 December 2024 and the date of approval of these Annual Report and Accounts by the board which would have had a material impact on the financial position of the Group or the Society.

Other Information

Annual Business Statement

Year ended 31 December 2024

1. Statutory percentages

	31 December 2024	Statutory Limit
Lending limit	**2.3%**	25%
Funding limit	**15.6%**	50%

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986 (as amended by the Building Societies Act 1997).

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property. Business assets are the total assets of the Group as shown in the Statement of Financial Position, plus impairment provisions for loans and advances to customers, less liquid assets, intangible assets and property, plant and equipment.

The funding limit measures the proportion of shares and borrowings (excluding fair value adjustment for hedged risk) not in the form of shares held by individuals.

2. Other percentages

	31 December 2024	31 December 2023
As a percentage of shares and borrowings:		
Gross capital	**7.10%**	7.83%
Free capital	**6.82%**	7.46%
Liquid assets	**22.52%**	21.77%
Profit for the financial year as a percentage of mean total assets	**0.33%**	0.50%
Management expenses as a percentage of mean total assets	**0.66%**	0.63%

The above percentages have been prepared from the Group's consolidated accounts and in particular:

- 'Shares and borrowings' represent the total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue.
- 'Gross capital' represents the aggregate of general reserve, other reserve, revaluation reserve, fair value reserve, cash flow hedge reserve, subordinated liabilities and subscribed capital.
- 'Free capital' represents the aggregate of gross capital less intangible assets and property, plant and equipment.
- 'Liquid assets' represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and investment securities.
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation.

3. Principal Office

Leeds Building Society is a building society, incorporated and domiciled in the United Kingdom. The address of the Principal Office is: 26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ

Year ended 31 December 2024

4. Information relating to the directors at 31 December 2024

Name	Occupation	Date of Birth	Date first appointed	Other directorships/appointments
Chair				
I C A Cornish Chair from 3 April 2020	Chair	11.11.60	01.01.19	Macmillan Cancer Support Leeds Beckett University
Vice Chair				
G J Hoskin Vice Chair and Senior Independent Director from 1 January 2019	Non-Executive Director	18.09.60	16.11.15	Saga plc Acromas Insurance Company Ltd
Chief Executive Officer				
*R G Fearon Chief Executive Officer from 27 February 2019	Chief Executive Officer	16.07.78	19.02.16	UK Finance Ltd
Deputy Chief Executive Officer				
*A J Greenwood	Deputy Chief Executive Officer	11.12.69	08.01.15	None
Directors				
A M Barnes	Non-Executive Director	10.11.68	01.02.19	Globaldata plc Stratos Markets Ltd (trading as FXCM UK)
** F A Buckley	Non-Executive Director	12.05.80	01.04.23	Aurora UK Alpha plc Caledonia Investments plc Apollo Syndicate Management Ltd Long Term Assets Ltd
*A P Conroy	Chief Financial Officer	11.12.75	06.01.20	Saltmine Trust Arkose Funding Ltd ****Leeds Mortgage Funding Ltd
***D Fisher	Non-Executive Director	02.08.58	27.03.12	None
N A Fuller	Non-Executive Director	17.12.66	01.12.20	Cynergy Bank Ltd
*R J Howse	Chief Operating Officer	03.12.70	01.05.21	The Grammar School at Leeds
B McCafferty	Non-Executive Director	06.06.67	01.09.24	Academy Insurance Services Ltd Salinas Midco Limited Vmans Limited The Unbeatable Group Limited Beyond Doubt Holdings Limited Salinas Topco Limited Caritas Diocese of Salford Catholic Truth Society (Diocese of Salford) Blueprint Trust The Salford Diocesan Trust National Employment Savings Trust (NEST)
P E Rowland	Non-Executive Director	22.12.61	01.05.23	Saga Services Ltd
A Tadayon	Non-Executive Director	10.06.66	22.10.21	Tadayon Consulting Ltd

*Executive directors

**Under SYSC 4.3A.6R/GOR 5.5, there is a maximum of four non-executive directorship roles, which can be held by a member of the management body. Owing to the non-material nature of some of Farah's additional roles and low time commitment, the regulators agreed to a modification of the rules (under Section 138A of the FSMA) up until 1 July 2025. From 31 January 2025, Farah resigned from her position with Long Term Assets Limited and therefore a waiver is no longer required.

***David Fisher is a non-independent Non-Executive Director

****Society Subsidiary

The Society's executive director service contracts can be terminated on twelve months' notice by either the Society or the director. Documents may be served on the above-named directors at: Addleshaw Goddard LLP, One St Peter's Square, Manchester M2 3DE.

More information on director appointments can be found within the 2024 Pillar 3 document which is available on the Society's website at **leedsbuildingsociety.co.uk**

Country by Country Reporting

Year ended 31 December 2024

Leeds Building Society provides disclosures below in accordance with the Capital Requirements (Country by Country Reporting) Regulations 2013. The information below has been audited in accordance with the standards required by Directive 2006/43/EC.

Nature and location of the Group's activities

The Society is the UK's fifth largest building society with 51 branches (2023: 50), total assets of £31.6 billion (2023: £28.1 billion) and 991,000 members (2023: 919,000). The Society's mortgage book primarily relates to properties in the UK, with a small proportion of historic balances, but no new lending, in Spain and Gibraltar.

The Society's subsidiary undertakings, their country of incorporation and their principal activities are detailed in note 15 on page 195. The Society and its subsidiaries are all tax resident in the UK.

The Society has no physical presence or regulatory branch in Spain, with all mortgages administered from the UK. The results of the Society's activity in Spain are included in the results of the Society and subject to taxation in the UK.

The Society has no permanent establishment in Gibraltar, with all mortgages administered from the UK. The results of the Society's activity in Gibraltar are included in the results of the Society and subject to taxation in the UK.

Results by country

The information for the year ended 31 December 2024 presented below is at a full Group level of consolidation, which has been prepared under IFRS.

Total income is defined as net interest income plus fees and commissions receivable (net of fees and commissions payable), fair value gains less losses from financial instruments, together with all other components of operating income. Total income, profit before tax and corporation tax charge are as disclosed in the Group's Income Statement on page 165.

Average monthly number of employees is shown on a full-time equivalent (FTE) basis. Colleague costs comprise wages and salaries, social security costs and pension costs as disclosed in note 6 on page 186.

Corporation tax paid represents the total payments as reported in the Statement of Cash Flows on page 169.

2024	**UK***	**Spain**	**Total**	***UK includes Gibraltar**
Total income (£M)	**353.9**	**1.7**	**355.6**	**0.4**
Profit before tax (£M)	**136.6**	**0.9**	**137.5**	**0.4**
Total assets (£M)	**31,586.6**	**26.0**	**31,612.6**	**4.6**
Total assets less liabilities (£M)	**1,694.4**	**26.0**	**1,720.4**	**4.6**
Average number of FTEs	**1,712**	**–**	**1,712**	**–**
Staff costs (£M)	**106.1**	**–**	**106.1**	**–**
Corporation tax charge (£M)	**37.6**	**–**	**37.6**	**–**
Current tax charge	**38.6**	**–**	**38.6**	**–**
Deferred tax credit	**(1.0)**	**–**	**(1.0)**	**–**
Corporation tax paid (£M)	**28.2**	**–**	**28.2**	**–**

2023	UK*	Spain	Total	*UK includes Gibraltar
Total income (£M)	357.5	2.3	359.8	0.8
Profit before tax (£M)	181.5	(1.0)	180.5	0.1
Total assets (£M)	28,109.4	36.5	28,145.9	5.8
Total assets less liabilities (£M)	1,608.7	36.5	1,645.2	5.8
Average number of FTEs	1,662	–	1,662	–
Staff costs (£M)	108.7	–	108.7	–
Corporation tax charge (£M)	47.6	–	47.6	–
Current tax charge	44.9	–	44.9	–
Deferred tax charge	2.7	–	2.7	–
Corporation tax paid (£M)	49.6	–	49.6	–

Return on assets

The return on assets, calculated as profit before tax divided by mean total assets, was 0.50% (2023: 0.70%) for the year ended 31 December 2024.

Public subsidies received

The Group received no public subsidies in the year ended 31 December 2024.

Glossary of Terms

Year ended 31 December 2024

Alternative Performance Measures

The table below sets out the Alternative Performance Measures (APM) used within the Annual Report and Accounts. These are financial measures of the Group's performance or position which are not defined or specified under IFRS but which are useful in understanding how the Group has performed. The measures used are common practice across the financial services industry and facilitate comparisons with other institutions.

The table explains how the APM is calculated and provides a reconciliation to the closest equivalent statutory measure, as defined or specified under IFRS.

Measure	Definition and purpose	How the measure is calculated	Reconciliation to statutory measure under IFRS
Cost to income ratio	A measure of the efficiency of the Group in generating its income by showing the level of costs incurred relative to the level of income generated. This measure is used by the Group to monitor and manage its cost base.	Management expenses (administrative expenses plus depreciation and amortisation) divided by total income, as recorded in the Income Statement.	No equivalent statutory measure but all elements of the calculation are separately disclosed in the Income Statement.
Cost to mean asset ratio	A measure of the efficiency of the Group in maintaining its asset base, showing the level of costs incurred relative to the size of the Group's balance sheet. This measure is used by the Group to monitor and manage its cost base.	Management expenses (administrative expenses plus depreciation and amortisation) for the period divided by the mean of the opening and closing total assets for the period, as recorded in the Statement of Financial Position.	No equivalent statutory measure, but all elements of the calculation are separately disclosed in the Income Statement or Statement of Financial Position.
Net interest margin	Net interest income (the difference between interest receivable and interest payable) is the primary source of income for the Group. This is a key measure for monitoring and managing the level of income generated by the Group's balance sheet.	Net interest receivable, as recorded in the Income Statement, divided by the mean of the opening and closing total assets for the period, as recorded in the Statement of Financial Position.	No equivalent statutory measure, but all elements of the calculation are separately disclosed in the Income Statement or Statement of Financial Position.
Net residential lending	The increase in the size of the Group's residential mortgage book during the year. Used by the Group to monitor and manage the growth of the business.	Gross residential lending less redemptions, contractual repayments and other capital repayments.	This is approximately equal to the difference between the opening and closing balance of loans and advances fully secured on residential property in the Statement of Financial Position, adjusted for movements in impairment loss provisions and other accounting adjustments.
New (gross) residential lending	The total amount of new loans and advances to customers secured on residential property advanced by the Group during the year.	No calculation required.	No equivalent statutory measure.
Underlying profit before tax	Add back one-off items to profit before tax to allow comparison to prior periods.	Profit before tax add back one-off items.	Profit before tax add back one-off items.

Year ended 31 December 2024

Glossary

Set out below are the definitions of terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions.

Arrears
A mortgage member is in arrears when they are behind in fulfilling their payment obligations with the result that an outstanding loan commitment is overdue. Such a member can also be said to be in a state of delinquency

Basel 3
Basel 3 is the third Capital Adequacy Framework issued by the Basel Committee on Banking Supervision, which defines the capital and liquidity rules for banks and building societies. The framework has been embedded into UK law through the European Capital Requirements Directive V (CRD V).

Basis point
One hundredth of one per cent (0.01%), so 100 basis points is 1%. Used in quoting movements in interest rates or yields on securities.

Commercial loans
Loans secured on commercial property.

Common Equity Tier 1 (CET1) ratio
This is a regulatory ratio, calculated as the total of CET1 capital divided by Risk Weighted Assets (RWAs). CET1 capital is the highest quality form of capital and comprises general reserves from retained profits, less the book values of any pension surplus, goodwill and intangible assets and other regulatory adjustments as defined under CRD V.

Contractual maturity
The final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be repaid.

Covered bonds
Debt securities backed by a portfolio of mortgages that is segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds. The Group issues covered bonds as part of its funding activities.

Credit risk
This is the risk that a member or counterparty is unable to pay the interest or to repay the capital on a loan when required.

Debt securities in issue
Transferable certificates of indebtedness of the Group to the bearer of the certificates. These are liabilities of the Group and include certificates of deposit.

Default
An account is classified as in default for impairment provisioning Default occurs when a borrower is deemed unlikely to repay their loan or other amount due to the Group.

Derivative financial instruments
A derivative financial instrument is a type of financial instrument (or an agreement between two parties) whose value is based on the underlying asset, index or reference rate to which it is linked. The Group uses derivative financial instruments to hedge its exposures to market risks, such as interest rate and foreign currency risk.

Effective interest rate method (EIR)
The method used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense to produce a level yield over the relevant period.

Expected credit loss (ECL)
A calculation to estimate potential losses on current exposures due to potential defaults; the term is used in relation to impairment loss provisioning under IFRS 9 and is derived from the multiplication of the PD, LGD and EAD.

Exposure at default (EAD)
An estimate of the maximum loss that an entity might suffer if a borrower or other counterparty fails to meet their obligations at default.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.

Financial Services Compensation Scheme (FSCS)
The UK's compensation fund of last resort for members of authorised financial services firms. The FSCS may pay compensation to members if a firm is unable, or likely to be unable, to pay claims against it, usually because it has stopped trading or has been declared in default. The FSCS is funded by the financial services industry. Every firm authorised by the FCA and PRA is obliged to pay an annual levy, which goes towards its running costs and compensation payments.

Forbearance strategies
Strategies to assist borrowers in financial difficulty, such as agreeing a temporary reduction in payments, extending loan terms and temporarily converting loans to an interest only basis. Forbearance strategies aim to avoid repossession where it is in the interest of the borrower.

Free capital
The aggregate of gross capital less intangible assets and property, plant and equipment.

Funding limit
Measures the proportion of shares and borrowings (excluding the fair value adjustment for hedged risk) not in the form of shares held by individuals.

General reserves
The accumulation of the Group's profit after tax since inception. It is the Group's main component of Common Equity Tier 1 capital which is a measure of strength and stability.

Gross capital
The aggregate of the general reserve, cash flow hedge reserve, fair value reserve, other reserve, revaluation reserve, subordinated liabilities and subscribed capital.

Impaired loans
Loans where there is objective evidence that an impairment event has occurred, meaning that the Group does not expect to collect all the contractual cash flows or expect to collect them when they are contractually due.

Internal Capital Adequacy Assessment Process (ICAAP)
The Group's own assessment, as part of CRD V requirements, of the levels of capital that it needs to hold in respect of regulatory capital requirements for risks it faces under a business as usual scenario and a number of stressed scenarios.

Internal Liquidity Adequacy Assessment Process (ILAAP)
The Group's own internal assessment of the level of liquidity that it needs to hold in respect of regulatory liquidity requirements in relation to a number of stressed scenarios.

Internal Ratings Based (IRB) Approach
An approach for measuring exposure to credit risk which is more sophisticated than the Standardised Approach, where an entity can calculate its own risk weights for certain assets. IRB approaches can only be used with the permission of the Prudential Regulation Authority.

International Swaps and Derivatives Association (ISDA) master agreement
A standardised contract developed by ISDA and used to enter into bilateral derivative transactions granting legal rights of offsetting for derivative transactions with the same counterparty.

Investment securities/debt securities
Assets held by the Group representing certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Lending limit
Measures the proportion of business assets not in the form of loans fully secured on residential property.

Leverage ratio
A regulatory ratio which measures the value of the Society's Tier 1 capital as a proportion of total relevant non-risk weighted assets. The CRR leverage ratio is defined by the EU's Capital Requirements Regulation, while the UK leverage ratio modifies this ratio to exclude central bank reserves. The UK regime does not apply to the Society due to its size (less than £50 billion of retail deposits).

Liquid assets
Assets which are either in the form of cash or are readily convertible into cash. Total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, and investment securities.

Liquidity Coverage Ratio (LCR)
A regulatory standard ratio implemented by the Basel 3 Reforms. It is calculated as the stock of high quality liquid assets divided by the total net stressed cash outflows over the next 30 calendar days expressed as a percentage.

Liquidity risk
The risk that the Group is not able to meet its financial obligations as they fall due, or will only be able to do so at an excessive cost. This risk arises from timing mismatches of cash inflows and outflows.

Loan to income ratio (LTI)
A ratio which expresses the amount of a mortgage as a percentage of the borrower's income, used to assess affordability and determine borrowing limits.

Loan to value ratio (LTV)
A ratio which expresses the amount of a mortgage as a percentage of the value of the property. The Group calculates residential mortgage LTV on an indexed basis (the value of the property is updated on a quarterly basis to reflect changes in the house price index).

Loans past due/past due loans
Loans are past due when a counterparty has failed to make a payment when contractually due.

Loss given default (LGD)
A parameter used in relation to credit risk exposures modelled under IFRS 9; an estimate of the difference between the EAD and the net amount recovered, expressed as a percentage of the EAD.

Management expenses
Management expenses represent the aggregate of administrative expenses, depreciation and amortisation as recorded in the Income Statement.

Market risk
The risk that movements in market risk factors, including foreign exchange rates, interest rates and member driven factors will create losses or decrease portfolio values.

Mean total assets
Represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.

Member
A person who has a share investment or a mortgage loan with the Society which satisfies the Society's rules for membership.

Minimum Requirements for Own Funds and Eligible Liabilities (MREL)
The total loss absorbing capital a financial institution must hold to facilitate the recapitalisation of the institution in resolution.

Net interest income
The difference between interest receivable and similar income and interest payable and similar charges. This is the same as net interest receivable in the Income Statement.

Year ended 31 December 2024

Net Promoter Score®
The Net Promoter Score® (NPS) is a measure of satisfaction and loyalty to the Group based on survey responses. It measures the proportion of promoters (positive responses) less the proportion of detractors (negative responses). We use the NPS methodology to measure satisfaction among our broker partners.

Net Stable Funding Ratio (NSFR)
A regulatory standard ratio implemented by the Basel 3 reforms which is the total amount of stable funding divided by the total amount of required stable funding, expressed as a percentage. The NSFR is currently an observable measure which became a minimum standard in 2022 with the implementation of CRR2.

Notional principal amount
The notional principal amount indicates the amount on which cash flows on derivative financial instruments are calculated and does not represent amounts at risk.

Operational risk
The risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

Probability of default (PD)
An estimate of the likelihood a borrower will not be able to meet their debt obligations as they fall due.

Permanent interest bearing shares (PIBS)
Unsecured deferred shares that are a form of capital. PIBS rank behind the claims of all subordinated debt holders, depositors, payables and investing members of the Group.

Replacement cost
The amount the Group would need to pay to replace derivative contracts that are favourable to the Group if the counterparty with whom the contract was held were unable to honour their obligation.

Repurchase agreements (Repo)
A repurchase agreement allows a borrower to use a financial security as collateral for a cash loan at a fixed rate of interest. In a repo, the borrower agrees to sell a commitment to repurchase the asset at a specified price on a given future date. For the party selling the security and agreeing to repurchase the asset in the future, it is a repo, for the party purchasing the security and agreeing to resell, it is a reverse repo.

Residential loans
Loans which are secured against residential property.

Residential mortgage backed securities (RMBS)
A category of asset backed security that represents interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest/principal).

Risk appetite
The articulation of the level of risk that the Group is willing to take (or not take) in order to safeguard the interests of the Society's members while achieving business objectives.

Risk-weighted assets (RWAs)
A regulatory measure which adjusts the value of assets as recorded in the Statement of Financial Position to reflect the relative level of risk. This measure is used in calculating regulatory capital requirements.

Securitisation
The process by which a group of assets (usually loans) is aggregated into a pool which is used to back the issuance of new securities. A company transfers assets to a special purpose entity which issues securities backed by those assets. The Society has established securitisation structures (using residential mortgages) as part of its funding activities.

Shares
Money deposited by a person in a retail savings account with the Group. Such funds are recorded as liabilities for the Group.

Shares and borrowings
The total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue.

SONIA
The Sterling Over Night Index Average rate. The risk free rate calculated as the weighted average overnight sterling deposit rate for each business day.

Subordinated liabilities
Debt securities issued by the Group which have certain terms and conditions attached relating to the payment of interest and principal such that they are ranked behind the claims of all other creditors and members of the Society, other than subscribed capital.

Subscribed capital
Debt securities issued by the Group which have certain terms and conditions attached relating to the payment of interest and principal such that they are treated as capital.

Tier 1 capital
A measure of financial strength as defined by the PRA. Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital is defined above, while other Tier 1 capital includes qualifying capital instruments such as PIBS.

Tier 2 capital
A further component of regulatory and financial capital as defined by CRD V.

Wholesale funding
The total of amounts owed to credit institutions, amounts owed to other customers and debt securities in issue