Pillar 3 Disclosures

Q3 2024

Leeds Building Society

Q3 2024 Pillar 3 Disclosures

Contents

Q3 2024 Pillar 3 Disclosures

1 Introduction

This document presents the Pillar 3 disclosures of Leeds Building Society (the Society) for the period ended 30 September 2024. The Pillar 3 disclosure requirements apply to banks and building societies and require firms to publish key details regarding their capital position and management of risk. More detailed information on the Society's approach to capital management is included in the annual Pillar 3 disclosures published on the "Financial results" section of the Society's website (www.leedsbuildingsociety.co.uk/press/financial-results/).

Leeds Building Society is the UK's fifth largest building society. Our purpose is "Putting home ownership within reach of more people – generation after generation". Our strategic drivers set out how we deliver on our purpose:

- 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 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.

The Society remains strongly capitalised with capital resources significantly above the Prudential Regulation Authority (PRA) prescribed Total Capital Requirement (TCR) and buffer requirements and Minimum Requirement for own funds and Eligible Liabilities (MREL) requirements.

Basis and Frequency of Disclosure

This document has been prepared in accordance with the Disclosure (Capital Requirement Regulation firms (CRR)) part of the PRA Rulebook, which includes revised disclosure requirements following the UK's full implementation of CRR II, applicable from 1 January 2022.

The Society is required to publish Pillar 3 disclosures quarterly (31 March, 30 June, 30 September, 31 December) in line with the PRA Rulebook on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of the CRR.

Disclosures are presented in sterling using the prescribed disclosure templates in the PRA Rulebook. Row and column references are based on those prescribed in the PRA templates; no changes have been made to the fixed templates. The Society opted to apply IFRS 9 transitional arrangements to capital calculations in accordance with EBA/GL/2018/01 - see section 2.2 for further details. Capital positions, with the exception of leverage ratios, are reported on a transitional basis, as opposed to fully loaded. In the current disclosures, these positions are the same.

For capital purposes the Society is required to calculate and maintain regulatory capital ratios on a Prudential Group (PG) consolidated Group basis and on a Society only basis. The disclosures contained in this document are provided on a PG basis (except where otherwise stated) in accordance with Article 6(3) of the CRR. No subsidiaries are excluded in the consolidation. Due to the structure of the Society, the PG group and individual Society basis are materially the same.

Non-material, proprietary or confidential information

CRR article 432 allows institutions to omit one or more of the required disclosures (disclosure waivers) if information provided by such disclosures is not regarded as material or if it would be regarded as proprietary or confidential. Some of the required disclosures, such as those on own funds or in relation to remuneration, cannot be omitted due to concerns relating to their materiality, proprietary nature or confidentiality.

No quarterly disclosures have been omitted for reasons relating to materiality, proprietary nature or confidentiality.

The Society does not use the Internal Model Approach (IMA) for market risk or the Internal Model Method (IMM) for counterparty credit risk exposures, therefore, templates UK MR2-B and UK CCR7 have not been presented.

Verification

These disclosures have been subject to internal verification and have been approved by the Chief Financial Officer and Chair of the Audit Committee on behalf of the Board. The production of Pillar 3 disclosures is governed by a formal policy which covers, inter alia, adequacy, verification, frequency and medium of publication of the disclosures. There is no formal external audit requirement in relation to these disclosures, and they have not been subject to an independent external audit. The disclosures are published on the "Financial results" section of the Society's website: (www.leedsbuildingsociety.co.uk/press/financial-results/).

New and emerging regulation

Post model adjustments relating to changes in Internal Ratings Based (IRB) capital requirements, resulting in increased Risk Weighted Exposure Amounts (RWEAs), have been in place since January 2022. Further refinement is ongoing across the industry in relation to these regulations and this is expected to be finalised in 2025. The Society is expected to retain significant headroom over risk appetite following the finalisation of these regulatory changes.

The Society's preparations to meet the requirements of the Basel 3.1 standards, which come into force in January 2026, are well underway. As an IRB lender, the predominant impact will be the new capital floor, expected to be phased in from January 2026 until January 2030.

2 Annex I: Key Metrics and Overview of RWEA

2.1 UK KM1: Key Metrics

The table below provides a summary of the key prudential capital ratios, liquidity ratios and risk measures.

	Table 1 (UK KM1): Key metrics	Sep-24 a T	Jun-24 b T-1	Mar-24 c T-2	Dec-23 d T-3	Sep-23[1] e T-4
Available own funds (£m)						
1	Common Equity Tier 1 (CET1) capital	**1,542.5**	1,539.4	1,506.9	1,508.9	n/a
2	Tier 1 capital	**1,542.5**	1,539.4	1,506.9	1,508.9	n/a
3	Total capital	**1,553.5**	1,550.6	1,548.7	1,551.8	n/a
Risk-weighted exposure (£m)						
4	Total risk-weighted exposure amount	**6,138.8**	5,991.3	5,641.0	5,355.1	n/a
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	**25.13%**	25.69%	26.71%	28.18%	n/a
6	Tier 1 ratio (%)	**25.13%**	25.69%	26.71%	28.18%	n/a
7	Total capital ratio (%)	**25.31%**	25.88%	27.45%	28.98%	n/a
Additional own funds requirements based on Supervisory Review and Evaluation Process (SREP) (as a percentage of risk-weighted exposure amount)[2]						
UK 7a	Additional CET1 SREP requirements (%)	**1.72%**	1.58%	1.59%	1.59%	n/a
UK 7b	Additional AT1 SREP requirements (%)	**0.57%**	0.53%	0.53%	0.53%	n/a
UK 7c	Additional T2 SREP requirements (%)	**0.77%**	0.70%	0.71%	0.71%	n/a
UK 7d	Total SREP own funds requirements (%)	**11.06%**	10.81%	10.82%	10.83%	n/a
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	**2.50%**	2.50%	2.50%	2.50%	n/a
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	**-**	-	-	-	n/a
9	Institution specific countercyclical capital buffer (%)	**2.00%**	2.00%	2.00%	2.00%	n/a
UK 9a	Systemic risk buffer (%)	**-**	-	-	-	n/a
10	Global Systemically Important Institution buffer (%)	**-**	-	-	-	n/a
UK 10a	Other Systemically Important Institution buffer	**-**	-	-	-	n/a
11	Combined buffer requirement (%)	**4.50%**	4.50%	4.50%	4.50%	n/a
UK 11a	Overall capital requirements (%)	**15.56%**	15.31%	15.32%	15.33%	n/a
12	CET1 available after meeting the total SREP own funds requirements (%)[3]	**14.24%**	15.07%	17.17%	18.68%	n/a
Leverage ratio[4]						
13	Leverage ratio total exposure measure (£m)	**27,694.9**	26,215.2	25,189.3	25,128.1	n/a
14	Leverage ratio (%)	**5.57%**	5.87%	5.98%	6.00%	n/a
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)[5]						
UK 14a	Additional CET1 leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
UK 14b	Additional AT1 leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
UK 14c	Additional T2 leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
UK 14d	Total SREP leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
UK 14e	Applicable leverage buffer	n/a	n/a	n/a	n/a	n/a
UK 14f	Overall leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	**5,133.4**	5,144.7	4,885.2	4,678.4	n/a
UK 16a	Cash outflows - Total weighted value	**2,560.8**	2,413.8	2,242.0	2,141.3	n/a
UK 16b	Cash inflows - Total weighted value	**239.4**	225.4	216.9	162.2	n/a
16	Total net cash outflows (adjusted value)	**2,321.4**	2,188.4	2,025.1	1,979.1	n/a
17	Liquidity coverage ratio (%)	**224.24%**	237.79%	241.86%	236.01%	n/a
Net Stable Funding Ratio						
18	Total available stable funding	**25,547.5**	25,293.3	24,794.4	24,447.1	n/a
19	Total required stable funding	**18,393.5**	17,948.6	17,500.1	17,094.1	n/a
20	NSFR ratio (%)	**138.93%**	141.01%	141.75%	143.00%	n/a

Notes to table UK KM1:
1. The Society was required to make quarterly disclosures to comply with CRR article 433a from 31 December 2023. In line with the instructions in Annex II, quarterly data for previous periods has not been disclosed.
2. Any firm-specific PRA buffer requirement is excluded from this disclosure.
3. Represents the level of CET1 capital available to meet buffer requirements after subtracting the minimum amount of CET1 capital required to meet Pillar 1 and Pillar 2A capital requirements, also referred to as total SREP own funds requirements. The minimum CET1 requirement is equivalent to 4.50% (Pillar 1) plus the additional CET1 SREP requirement (56.25% of Pillar 2A).
4. The leverage ratio excludes claims on central banks and is presented on a fully loaded basis.
5. The additional leverage ratio disclosure requirements only apply to financial institutions with retail deposits equal to or greater than £50bn or non-UK assets equal to or greater than £10bn. The rows have been left blank as the Society is not currently captured by either threshold.

Annex I: Key Metrics and Overview of RWEA

Capital Ratios and Buffers

The Society's capital position remains strong with CET1 capital of £1,542.5m (30 June 2024: £1,539.4m). The £3.1m increase in CET1 capital resources primarily relates to movements in fair value. Profits for the quarter have been excluded as they have not been verified by the Society's auditors.

RWEAs increased by £147.5m during the three months to £6,138.8m (30 June 2024: £5,991.3m). The increase in RWEAs is primarily driven by growth in mortgage assets. Underlying asset quality and risk weights have remained broadly stable in the period.

As a result of the increase in RWEAs and the exclusion of quarterly profits explained above, the CET1 ratio and total capital ratio have decreased to 25.13% (30 June 2024: 25.69%) and 25.31% (30 June 2024: 25.88%) respectively.

As of 30 September 2024, the Pillar 2A requirement set by the PRA was 3.06% of RWEAs, of which 1.72% must be met by CET1 capital.

Leverage Ratio

The leverage ratio has been calculated in accordance with changes to the UK's leverage ratio framework which came into effect from 1 January 2022 and excludes deposits with central banks. The UK leverage ratio has decreased to 5.57% as of 30 September 2024 (30 June 2024: 5.87%) reflecting the £1,479.7m increase in the leverage exposure, primarily due to a reduction in the exclusion for claims on central banks following the repayment of TFSME[1] funding, and higher net retail lending in the period, partly offset by a £3.1m increase in Tier 1 capital.

The additional leverage ratio disclosure requirements only apply to financial institutions with deposits equal to or greater than £50bn or non-UK assets equal to or greater than £10bn. These rows have been left blank as the Society is not currently captured by either threshold.

Liquidity Coverage Ratio (LCR)

The Society's average LCR over the 12 months to 30 September 2024 was 224.24% (30 June 2024: 237.79%) and was above both the regulatory and internal limits set by the Board throughout the year.

Net Stable Funding Ratio (NSFR)

The Society's average NSFR over the four quarters to 30 September 2024 was 138.93% (30 June 2024: 141.01%) and was above both the regulatory and internal limits set by the Board throughout the year.

2.2 IFRS 9 transitional arrangements

IFRS 9 - Financial Instruments was adopted by the Society from 1 January 2018. The standard replaces IAS 39 – Financial Instruments. IFRS 9 altered the rules for the application of hedge accounting, although the rules in relation to portfolio fair value hedges are still under development. Consequently, the standard allows entities to continue to apply IAS 39 for all hedge accounting. The Society has chosen to apply IFRS 9 to its macro cash flow hedge and micro fair value hedge relationships from 1st January 2024 but continues to apply IAS 39 in relation to portfolio fair value hedges, as permitted by the standard.

The Society opted to apply the IFRS 9 transitional arrangements to capital calculations from 1 January 2018, on a scaling basis, over the period to 31 December 2024. This is in accordance with EBA/GL/2018/01 and as amended from 1 January 2020 by the CRR 'Quick Fix' package in response to the COVID-19 pandemic. There was no add-back adjustment to CET1

[1] Our final TFSME drawings were made in October 2021 and the scheme is now closed.

Annex I: Key Metrics and Overview of RWEA

at 30 September 2024 (30 June 2024: £nil) as there was no negative impact arising from expected credit loss accounting under IFRS 9 compared to IAS39.

	Table 2: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	Sep-24	Jun-24	Mar-24	Dec-23	Sep-23
		T	T-1	T-2	T-3	T-4
Available capital (£m)						
1	CET1 capital	**1,542.5**	1,539.4	1,506.9	1,508.9	n/a
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**1,542.5**	1,539.4	1,506.9	1,508.9	n/a
3	Tier 1 capital	**1,542.5**	1,539.4	1,506.9	1,508.9	n/a
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**1,542.5**	1,539.4	1,506.9	1,508.9	n/a
5	Total capital	**1,553.5**	1,550.6	1,548.7	1,551.8	n/a
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**1,553.5**	1,550.6	1,548.7	1,551.8	n/a
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	**6,138.8**	5,991.3	5,641.0	5,355.1	n/a
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**6,138.8**	5,991.3	5,641.0	5,355.1	n/a
Capital ratios						
9	CET1 (as a percentage of risk exposure amount)	**25.13%**	25.69%	26.71%	28.18%	n/a
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**25.13%**	25.69%	26.71%	28.18%	n/a
11	Tier 1 (as a percentage of risk exposure amount)	**25.13%**	25.69%	26.71%	28.18%	n/a
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**25.13%**	25.69%	26.71%	28.18%	n/a
13	Total capital (as a percentage of risk exposure amount)	**25.31%**	25.88%	27.45%	28.98%	n/a
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**25.31%**	25.88%	27.45%	28.98%	n/a
Leverage ratio						
15	Leverage ratio total exposure measure (£m)	**27,694.9**	26,215.2	25,189.3	25,128.1	n/a
16	Leverage ratio	**5.57%**	5.87%	5.98%	6.00%	n/a
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**5.57%**	5.87%	5.98%	6.00%	n/a

2.3 UK OV1: Overview of Risk Weighted Exposure Amounts

The Society's RWEA and total own funds requirement are set out below:

Table 3 (UK OV1) : Overview of Risk Weighted Exposure Amounts		RWEAs		Total own funds requirements
		Sep-24	Jun-24	Sep-24
		a	b	c
1	**Credit risk (excluding Counterparty Credit Risk (CCR))**	**5,539.4**	**5,402.9**	**441.9**
2	Of which the standardised approach	340.8	350.9	26.0
5	Of which the advanced IRB (AIRB) approach	5,198.7	5,052.0	415.9
6	**Counterparty credit risk - CCR**	**13.8**	**14.7**	**1.1**
7	Of which the standardised approach	1.1	-	0.1
8	Of which internal model method (IMM)	-	-	-
UK 8a	Of which exposures to a Central Clearing Counterparty (CCP)	7.4	8.2	0.6
UK 8b	Of which Credit Valuation Adjustment (CVA)	5.3	6.5	0.4
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	**72.6**	**60.7**	**5.8**
19	Of which securitisation: standardised approach (SEC-SA)	72.6	60.7	5.8
UK 19a	Of which 1250%/ deduction		-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**-**	**-**	**-**
23	**Operational risk**	**513.0**	**513.0**	**41.0**
UK 23a	Of which basic indicator approach		-	-
UK 23b	Of which standardised approach	513.0	513.0	41.0
UK 23c	Of which advanced measurement approach		-	-
29	**Total**	**6,138.8**	**5,991.3**	**489.8**

3 Annex XIII: Liquidity Requirements

3.1 UK LIQ1: Quantitative information of LCR

Table 4 (UK LIQ1): Quantitative information of LCR		Total unweighted value (average)				Total weighted value (average)			
1a	Quarter ending: £m	Sep-24 a	Jun-24 b	Mar-24 c	Dec-23 d	Sep-24 e	Jun-24 f	Mar-24 g	Dec-23 h
1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	**Total high-quality liquid assets (HQLA)**					**5,133.4**	**5,144.7**	**4,885.2**	**4,678.4**
	CASH - OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	21,335.0	20,642.1	19,875.5	19,060.9	1,499.5	1,399.4	1,310.6	1,221.2
3	Stable deposits	9,321.2	9,065.8	8,794.4	8,507.3	466.1	453.3	439.7	425.4
4	Less stable deposits	12,013.8	11,576.2	11,081.1	10,553.6	1,033.5	946.1	870.9	795.8
5	Unsecured wholesale funding	86.9	71.5	47.4	44.5	59.8	45.3	22.9	20.7
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	50.9	46.1	42.8	42.8	23.9	19.9	18.3	19.0
8	Unsecured debt	35.9	25.4	4.6	1.7	35.9	25.4	4.6	1.7
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	442.7	433.6	389.4	404.0	442.7	433.6	389.4	404.0
11	Outflows related to derivative exposures and other collateral requirements	379.1	374.5	369.9	365.7	379.1	374.5	369.9	365.7
12	Outflows related to loss of funding on debt products	55.2	53.3	16.1	37.5	55.2	53.3	16.1	37.5
13	Credit and liquidity facilities	8.3	5.8	3.3	0.8	8.3	5.8	3.3	0.8
14	Other contractual funding obligations	45.9	42.1	31.1	32.4	26.4	23.6	17.5	19.0
15	Other contingent funding obligations	1,521.2	1,462.7	1,433.2	1,361.1	532.4	511.9	501.6	476.4
16	**TOTAL CASH OUTFLOWS**					**2,560.8**	**2,413.8**	**2,242.0**	**2,141.3**
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	168.2	165.9	161.3	155.1	140.4	138.6	134.0	128.6
19	Other cash inflows	99.0	86.8	82.9	33.7	99.0	86.8	82.9	33.7
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	**267.2**	**252.6**	**244.2**	**188.8**	**239.4**	**225.4**	**216.9**	**162.2**
UK-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
UK-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
UK-20c	*Inflows subject to 75% cap*	267.2	252.6	244.2	188.8	239.4	225.4	216.9	162.2
	TOTAL ADJUSTED VALUE								
UK-21	**LIQUIDITY BUFFER**					**5,133.4**	**5,144.7**	**4,885.2**	**4,678.4**
22	**TOTAL NET CASH OUTFLOWS**					**2,321.4**	**2,188.4**	**2,025.1**	**1,979.1**
23	**LIQUIDITY COVERAGE RATIO**					**224.2%**	**237.8%**	**241.9%**	**236.0%**

3.2 UK LIQB: Qualitative information on LCR

a) Main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The Society's LCR is driven by a combination of the size of the liquid asset buffer, modelled stressed retail net outflows, wholesale funding requirements from upcoming maturities and collateral outflows that could arise in a stress. As the Society is predominantly retail funded, retail deposit outflows continue to be the largest contributor to net outflows in the LCR.

b) Changes in the LCR over time

The 12-month average LCR has decreased due to a rise in the total net cash outflows as a result of an increase in the stressed retail deposit outflow requirements. This has been combined with a reduction in the size of the liquid asset buffer. Ratios continue to be significantly in excess of regulatory requirements.

c) Actual concentration of funding sources

The Society is predominantly retail deposit funded but also raises wholesale funding, which comprises a range of secured and unsecured instruments, to ensure that a stable and diversified funding base is maintained across a range of instruments, maturities and investor types.

d) Composition of the institution's liquidity buffer

The Society's liquid assets are predominantly comprised of reserves held at the Bank of England and highly rated debt securities issued or guaranteed by a restricted range of governments, central banks and supranationals, as well as some high-quality Covered Bonds and Residential Mortgage Backed Securities (RMBSs). The assets held in the liquid asset buffer are all in sterling.

e) Derivative exposures and potential collateral calls

The Society only uses derivatives to manage and mitigate exposures to market risks, and not for trading or speculative purposes. The LCR net cash outflows related to derivative transactions primarily reflects the risk of potential additional collateral outflows due to adverse market rate changes. Credit ratings downgrades by external credit rating agencies could also lead to collateral outflows which are considered when determining LCR outflows.

f) Currency mismatch in the LCR

Liquid assets are denominated solely in sterling, with cross currency swaps in place against any euro exposures. This ensures that no material cross currency mismatch arises between the currency composition of the liquid asset buffer and currency profile of stressed outflows in the LCR.

g) Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

There are no other relevant items.

4 Annex XXI: Use of the IRB approach to Credit Risk

4.1 UK CR8: RWEA flow statements of credit risk exposures under the IRB approach

Table 5 (UK CR8) : RWEA flow statements of credit risk exposures under the IRB approach		Sep-24 RWEA
£m		a
1	**Risk weighted exposure amount as at the end of the previous reporting period[1]**	**4,811.9**
2	Asset size (+/-)	141.7
3	Asset quality (+/-)	(76.7)
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	60.1
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	-
8	Other (+/-)	-
9	**Risk weighted exposure amount as at the end of the reporting period[1]**	**4,937.0**

RWEAs under the IRB approach, excluding non-credit obligation assets, have increased by £125.1m to £4,937.0m. This was due to:

- a £141.7m increase relating to asset size driven by net book growth;
- a £76.7m improvement in asset quality reflecting the updated house price index, which has reduced back book average Loan to Value (LTV); and
- a £60.1m increase due to methodology and policy following a re-calculation of the adjustment to reflect the expected impact of capital reforms. The increase represents the materially different modelling requirements between the incumbent and expected capital position under CRD IV compliant IRB models rather than any changes in the size or composition of the book.

[2] The RWEA reported in UK CR8 excludes £261.5m (June 2024: £240.0m) of non-credit obligation assets.

5 Annex XXV: Exposures to Counterparty Credit Risk

5.1 UK CCR7: RWEA flow statements of CCR exposures under the IMM

The society does not use the Internal Model Method for CCR exposures.

6 Annex XXIX: Use of Standardised Approach and Internal Model for Market Risk

6.1 UK MR2B: RWA flow statements of market risk exposures under the IMA

The Society does not use the Internal Model Approach for market risk.

7 Contact Information

If you have any queries regarding this document, please contact:

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8 Glossary and Abbreviations

Basel III Framework	Basel III 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).
Capital Requirements Directive (CRD)	Directives enacted by PS29/20 introduced by the PRA on the 28th December 2020 regarding access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
Capital Requirements Regulation (CRR)	Regulation (EU) No 575/2013 of the European Parliament on-shored in the UK post-Brexit by the Withdrawal act regarding prudential requirements for credit institutions and investment firms.
Common Equity Tier 1 (CET1) capital	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.
Common Equity Tier 1 (CET1) capital ratio	This is a regulatory ratio, calculated as the total of CET1 capital divided by Risk Weighted Exposure Amounts (RWEAs).
Counterparty Credit Risk	This is the risk that a customer or counterparty is unable to pay the interest or to repay the capital on a loan when required.
Covered bonds	Debt securities which are backed by a portfolio of mortgages which is segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds.
Credit quality steps	A credit quality assessment scale as set out in CRD V (risk weights under the Standardised Approach to credit risk).
Credit risk	The potential to incur losses from the failure of a borrower or counterparty to meet its obligation to pay interest or repay capital on an outstanding loan.
Credit risk mitigation	Techniques to reduce the potential loss in the event that a customer (borrower or counterparty) becomes unable to meets its obligations. This may include the taking of financial or physical security, the assignment of receivables or the use of credit derivatives, guarantees, credit insurance, set off or netting.
Group	The Society and its subsidiaries including entities under its control.

Glossary and Abbreviations

Institution	An institution is defined in Article 1 of the Capital Requirements Directive (CRD) as a credit institution or investment firm. A credit institution is defined in Article 4 of the Capital Requirements Regulation (CRR) as an undertaking whose business is to take deposits or other repayable funds from the public and to grant credits for its own account. An investment firm is defined in Article 4 of the Markets in Financial Instruments Directive (Directive 2004/39/EC of the European Parliament and of the Council) as any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis.
Interest rate risk	Interest rate risk is the exposure of a firm's financial condition to adverse movements in interest rates.
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. The IRB approach may be Foundation or Advanced. IRB approaches can only be used with the permission of the Prudential Regulation Authority.
Leverage Ratio	The leverage ratio calculation, specific to CRD V, is calculated as Tier 1 capital divided by total exposures (including on- and off-balance sheet items) without any consideration of underlying risk. The leverage ratio reinforces the risk-based capital requirements as a non-risk based 'backstop'. The UK leverage ratio is specific to the UK regulatory regime and only applies to financial institutions with deposits of £50bn or more, however, it is monitored by the Society as part of its Purpose Scorecard for information. The calculation excludes deposits with central banks from the leverage exposure measure.
Market risk	The risk that movements in market risk factors, including foreign exchange rates, interest rates and customer-driven factors will create losses or decrease portfolio values.
Minimum capital requirement	The minimum amount of regulatory capital that a financial institution must hold to meet the Basel III Pillar 1 requirements for credit, market and operational risk.
Minimum Requirements for Own Funds and Eligible Liabilities (MREL)	MREL is the minimum amount of equity and subordinated debt a firm must maintain to support an effective resolution.

Glossary and Abbreviations

Operational risk	The risk of loss arising from inadequate, inefficient or failed internal processes, human resources, systems or external events (for example fraud).
Permanent Interest Bearing Shares (PIBS)	Unsecured, deferred shares that are a form of Tier 2 capital.
Pillar 1	The parts of CRD V which set out the minimum capital requirements for credit, market and operational risk
Pillar 2	Those aspects of CRD V which set out the process by which the Society should review its overall capital adequacy and the processes under which the regulators/supervisors evaluate how well financial institutions are assessing their risks and take appropriate actions in response the institutions' assessments.
Pillar 3	The part of CRD V governing the production of this document. It sets out information disclosures relating to risks, the amount of capital required to cover those risks, and the approach to risk management.
Provisions	Amounts set aside to cover incurred losses associated with credit risks.
Prudential Regulation Authority (PRA)	The UK regulatory body responsible for the prudential supervision of banks, building societies, insurers and a small number of significant investment firms.
Residential mortgage backed securities (RMBS)	A category of asset backed security that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Risk Weighted Exposure Amounts (RWEAs)	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. Also referred to as Risk Weighted Assets (RWA).
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 assets) as part of its funding activities.
Society	Leeds Building Society.
Special Purpose Entity (SPE)	A legal entity (usually a limited company of some type or, sometimes, a limited partnership) created to fulfil narrow, specific or temporary

	objectives. In the context of the Society, the SPEs are used in relation to securitisation activities.
Standardised approach	The approach used to calculate credit risk exposures and the related capital requirements. The method uses parameters determined by the regulator rather than internally and is less risk sensitive than IRB approaches. This will generally result in a higher capital requirement.
Supervisory Review and Evaluation Process (SREP)	The PRA's assessment of a firm's own capital adequacy assessment (ICAAP) under Basel III Pillar 2.
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.
Tier 2 capital	A further component of regulatory and financial capital as defined by CRD V.