

Interim Pillar 3 Disclosures

2024

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2024 Interim Pillar 3 Disclosures

1 Introduction

This document presents the Pillar 3 disclosures of Leeds Building Society (the Society) for the reporting period to 30 June 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.

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No sector split or residual maturity profile has been included for the legacy commercial loan portfolio due to the low materiality of the remaining exposure, which was £5.1m at 30 June 2024 (31 December 2023: £6.0m).

A full listing of omitted disclosures is included in Appendix A.

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 is owned and approved by the Audit Committee 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 2024. 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 July 2025, are well underway. As an IRB lender, the predominant impact will be the new capital floor, expected to be phased in from July 2025 until January 2030.

Annex I: Key Metrics and Overview of RWEA

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		Jun-24 a	Mar-24 b	Dec-23 c	Sep-23 ¹ d	Jun-23 e
		T	T-1	T-2	T-3	T-4
Available own funds (£m)						
1	Common Equity Tier 1 (CET1) capital	1,539.4	1,506.9	1,508.9	n/a	1,460.1
2	Tier 1 capital	1,539.4	1,506.9	1,508.9	n/a	1,460.1
3	Total capital	1,550.6	1,548.7	1,551.8	n/a	1,695.3
Risk-weighted exposure (£m)						
4	Total risk-weighted exposure amount	5,991.3	5,641.0	5,355.1	n/a	5,172.9
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	25.69%	26.71%	28.18%	n/a	28.23%
6	Tier 1 ratio (%)	25.69%	26.71%	28.18%	n/a	28.23%
7	Total capital ratio (%)	25.88%	27.45%	28.98%	n/a	32.77%
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 (%)	1.58%	1.59%	1.59%	n/a	1.60%
UK 7b	Additional AT1 SREP requirements (%)	0.53%	0.53%	0.53%	n/a	0.53%
UK 7c	Additional T2 SREP requirements (%)	0.70%	0.71%	0.71%	n/a	0.71%
UK 7d	Total SREP own funds requirements (%)	10.81%	10.82%	10.83%	n/a	10.84%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	n/a	2.50%
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%	n/a	1.00%
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%	n/a	3.50%
UK 11a	Overall capital requirements (%)	15.31%	15.32%	15.33%	n/a	14.34%
12	CET1 available after meeting the total SREP own funds requirements (%) ³	15.07%	17.17%	18.68%	n/a	21.53%
Leverage ratio⁵						
13	Leverage ratio total exposure measure (£m)	26,215.2	25,189.3	25,128.1	n/a	23,698.2
14	Leverage ratio (%)	5.87%	5.98%	6.00%	n/a	6.16%
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)	5,144.7	4,885.2	4,678.4	n/a	3,657.7
UK 16a	Cash outflows - Total weighted value	2,413.8	2,242.0	2,141.3	n/a	1,977.2
UK 16b	Cash inflows - Total weighted value	225.4	216.9	162.2	n/a	150.7
16	Total net cash outflows (adjusted value)	2,188.4	2,025.1	1,979.1	n/a	1,826.5
17	Liquidity coverage ratio (%)	237.79%	241.86%	236.01%	n/a	216.71%
Net Stable Funding Ratio						
18	Total available stable funding	25,293.3	24,794.4	24,447.1	n/a	23,272.6
19	Total required stable funding	17,948.6	17,500.1	17,094.1	n/a	16,520.2
20	NSFR ratio (%)	141.01%	141.75%	143.00%	n/a	140.87%

Notes to table UK KM1:

- 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.
- Any firm-specific PRA buffer requirement is excluded from this disclosure.
- 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). Comparatives have been restated to exclude combined buffer requirements and adjust for AT1 and T2 requirements met with CET1.
- The leverage ratio excludes claims on central banks and is presented on a fully loaded basis. See section 5 for further information.
- 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 £1,539.4m (31 March 2024: £1,506.9m). The increase to CET1 capital during the year is driven by earnings after tax. Total capital has increased by £1.9m to £1,550.6m (31 March 2024: £1,548.7). Due to the strength of the Society's current capital position, in April 2024, the Society repurchased its £25m of Permanent Interest Bearing Shares (PIBS), which has reduced both total capital and MREL resources by £47.5m but will deliver interest savings going forward as part of a more capital efficient structure. Capital resources were also adversely impacted by the provision relating to Philips Trust voluntary financial support (see the Society's interim results for further details).

RWEAs increased by £350.3m during the quarter to £5,991.3m (31 March 2024: £5,641.0m). Underlying asset quality and risk weights have remained broadly stable in the period. The increase in RWEAs is primarily driven by growth in mortgage assets.

As a result of the movement in regulatory capital and RWEAs explained above, the CET1 ratio and total capital ratio have decreased to 25.69% (31 March 2024: 26.71%) and 25.88% (31 March 2024: 27.45%), respectively.

As of 30 June 2024, the Pillar 2A requirement set by the PRA was 2.81% of RWEAs, of which 1.58% 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 5.87% as of 30 June 2024 (31 March 2024: 5.98%) reflecting the £32.5m increase in Tier 1 capital and a £1,025.9m increase in the leverage exposure, primarily due to higher net retail lending in the period.

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. 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 June 2024 was 237.79% (31 March 2024: 241.86%) 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 June 2024 was 141.01% (31 March 2024: 141.75%) 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

Annex I: Key Metrics and Overview of RWEA

at 30 June 2024 (31 March 2024: £nil) as there was no negative impact arising from expected credit loss accounting under IFRS 9 compared to IAS39.

	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23
	T	T-1	T-2	T-3	T-4
Available capital (£m)					
1 CET1 capital	1,539.4	1,506.9	1,508.9	n/a	1,460.1
2 CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,539.4	1,506.9	1,508.9	n/a	1,460.1
3 Tier 1 capital	1,539.4	1,506.9	1,508.9	n/a	1,460.1
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,539.4	1,506.9	1,508.9	n/a	1,460.1
5 Total capital	1,550.6	1,548.7	1,551.8	n/a	1,695.3
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,550.6	1,548.7	1,551.8	n/a	1,695.3
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	5,991.3	5,641.0	5,355.1	n/a	5,172.9
8 Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,991.3	5,641.0	5,355.1	n/a	5,172.9
Capital ratios					
9 CET1 (as a percentage of risk exposure amount)	25.69%	26.71%	28.18%	n/a	28.23%
10 CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25.69%	26.71%	28.18%	n/a	28.23%
11 Tier 1 (as a percentage of risk exposure amount)	25.69%	26.71%	28.18%	n/a	28.23%
12 Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25.69%	26.71%	28.18%	n/a	28.23%
13 Total capital (as a percentage of risk exposure amount)	25.88%	27.45%	28.98%	n/a	32.77%
14 Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25.88%	27.45%	28.98%	n/a	32.77%
Leverage ratio					
15 Leverage ratio total exposure measure (£m)	26,215.2	25,189.3	25,128.1	n/a	23,698.2
16 Leverage ratio	5.87%	5.98%	6.00%	n/a	6.16%
17 Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.87%	5.98%	6.00%	n/a	6.16%

2.3 UK OV1: Overview of Risk Weighted Exposure Amounts

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

	RWEAs		Total own funds requirements
	Jun-24 a	Mar-24 b	Jun-24 c
1 Credit risk (excluding Counterparty Credit Risk (CCR))	5,402.9	5,070.2	432.3
2 Of which the standardised approach	350.9	330.2	28.1
5 Of which the advanced IRB (AIRB) approach	5,052.0	4,740.1	404.2
6 Counterparty credit risk - CCR	14.7	12.0	1.2
7 Of which the standardised approach	-	-	-
8 Of which internal model method (IMM)	-	-	-
UK 8a Of which exposures to a Central Clearing Counterparty (CCP)	8.2	8.3	0.7
UK 8b Of which Credit Valuation Adjustment - CVA4	6.5	3.7	0.5
9 Of which other CCR	-	-	-
15 Settlement risk	-	-	-
16 Securitisation exposures in the non-trading book (after the cap)	60.7	45.8	4.9
19 Of which securitisation: standardised approach (SEC-SA)	60.7	45.8	4.9
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	5,991.3	5,641.0	479.3

Annex VII: Own Funds

3 Annex VII: Own Funds

3.1 UK CC1: Composition of regulatory own funds

The table below sets out the capital position on a transitional basis under CRD V rules:

Table 4 (UK CC1): Composition of regulatory own funds		Transitional	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation (see table 10 UK-CC2)	Transitional
		Jun-24 a	b	Dec-23 a
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	-		-
2	Retained earnings	1,547.9	f	1,414.6
3	Accumulated other comprehensive income (and other reserves)	91.9	g, h, l, j	95.0
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-		-
5	Minority interests (amount allowed in consolidated CET1)	-		-
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	38.2	f	133.9
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,678.0		1,643.4
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional valuation adjustment	(3.5)		(3.5)
8	Intangible assets	(31.9)	b	(29.8)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-	a	(3.0)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(75.4)	g	(74.3)
12	Negative amounts resulting from the calculation of expected loss amounts	(25.7)		(20.9)
15	Defined-benefit pension fund assets	(2.1)	c	(2.9)
27a	Other regulatory adjustments to CET1 capital (inc. IFRS 9 transitional adjustments)	-		-
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(138.6)		(134.6)
29	Common Equity Tier 1 (CET1) capital	1,539.4		1,508.9
Additional Tier 1 (AT1) capital: instruments				
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	d	-
44	Additional Tier 1 (AT1) capital	-		-
45	Tier 1 capital (T1 = CET1 + AT1)	1,539.4		1,508.9
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	7.8	e	8.0
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	d	25.0
50	Credit risk adjustments	3.4		9.9
58	Tier 2 (T2) capital	11.2		43.0
59	Total capital (TC = T1 + T2)	1,550.6		1,551.8
60	Total Risk exposure amount	5,991.3		5,355.1
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	25.69%		28.18%
62	Tier 1 (as a percentage of total risk exposure amount)	25.69%		28.18%
63	Total capital (as a percentage of total risk exposure amount)	25.88%		28.98%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount	4.50%		4.50%
65	of which: capital conservation buffer requirement	2.50%		2.50%
66	of which: countercyclical buffer requirement	2.00%		2.00%
67	of which: systemic risk buffer requirement	-		-
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-		-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.07%		18.68%
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-		-
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-		-
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	4.4		4.6
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	3.4		9.9
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	30.3		26.5

Annex VII: Own Funds

Common Equity Tier 1

CET1 capital comprises the general reserve, other reserve, revaluation reserve and fair value reserve. The general and other reserves represent the Society's accumulated profits, as well as adjustments for pension obligations.

At 30 June 2024 there was a CET1 regulatory deduction relating to intangible assets and pension surplus, neither of which are eligible capital under either the transitional or fully implemented CRD V rules. A deduction of £31.9m has been made (December 2023: £29.8m) relating to intangible assets and £2.1m (December 2023: £2.9m) relating to pension surplus. An additional valuation adjustment of £3.5m was also deducted in June 2024 (December 2023: £3.5m).

The Society chose to adopt the IFRS 9 transitional arrangements associated with the move from IAS 39 to IFRS 9. There was no add-back adjustment to CET1 at 30 June 2024 (December 2023: nil) as there was no negative impact arising from expected credit loss accounting under IFRS 9 compared to IAS39. The implementation of IFRS 9 does not have a significant impact on the Society's capital position due to the Society being granted IRB permission by the PRA in 2018 and the majority of the book being assessed under this approach.

As the Society is regulated under the IRB approach an adjustment to CET1 was required to account for the shortfall in provision that relates to the difference between regulatory expected losses and IFRS 9 provisions. The calculation is performed separately for accounts in and out of default. For accounts not in default, the assessment at the end of June 2024 resulted in a deduction of £25.7m (December 2023: £20.9m).

The Society 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. At 30 June 2024, £75.4m (December 2023: £74.3m) fair value reserves relating to gains or losses on cash flow hedges were included in row 3 of table 4 (UK CC1) and have been deducted from CET1 capital on row 11 in line with CRR.

Additional Tier 1 (AT1)

The Society has no qualifying AT1 instruments.

Tier 2 capital

Due to the strength of the Society's current capital position, in April 2024, the Society repurchased its £25m of Permanent Interest Bearing Shares (PIBS), which has reduced both total capital and MREL resources. At 30 June 2024, Tier 2 capital was primarily comprised of £7.7m¹ of subordinated debt. As the Society is regulated under the IRB approach an additional adjustment of £3.4m (December 2023: £9.9m) is required in Tier 2 capital to reflect the level of IFRS 9 provision over regulatory expected losses for cases in default.

Under regulatory rules for Individual Capital Guidance, at least 56.25% of capital must be CET1, no more than 43.75% should be AT1 and no more than 25.00% Tier 2 capital. Given the magnitude of the components of CET1, AT1 and Tier 2 capital, the Society was at all times comfortably within these limits.

¹ On 12 October 2023, the Society repurchased £192.0m of its £200.0m subordinated debt.

Annex VII: Own Funds

3.2 UK CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The Society has the same statutory and regulatory scope of consolidation; therefore, columns a and b are the same.

Table 5 (UK CC2): Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Jun-24			Dec-23	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference (see Table 9 UK-CC1)	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	Jun-24	Jun-24	c	Dec-23	Dec-22
£m	a	b		a	b
Assets - Breakdown by asset class according to the balance sheet in the published financial statements					
1	Cash in hand and balances with the Bank of England	3,649.6	3,649.6	2,830.0	2,830.0
2	Loans and advances to credit institutions	181.9	181.9	213.7	213.7
3	Investment securities	2,404.0	2,404.0	2,515.6	2,515.6
4	Derivative financial instruments	445.1	445.1	443.6	443.6
5	Loans fully secured on residential property	22,950.8	22,950.8	21,782.9	21,782.9
6	Other loans	151.7	151.7	158.3	158.3
7	Fair value adjustment for hedged risk on loans and advances to customers	(234.5)	(234.5)	(132.3)	(132.3)
8	Other assets, prepayments and accrued income	332.6	332.6	224.1	224.1
9	Current tax assets	14.7	14.7	9.8	9.8
10	Deferred tax assets	-	-	3.0	3.0
11	Intangible assets	31.9	31.9	29.8	29.8
12	Property, plant and equipment	63.7	63.7	64.5	64.5
13	Retirement benefit surplus	2.1	2.1	2.9	2.9
	Total assets	29,993.6	29,993.6	28,145.9	28,145.9
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements					
1	Shares	22,380.2	22,380.2	20,793.0	20,793.0
2	Fair value adjustment for hedged risk on shares	1.2	1.2	31.9	31.9
3	Derivative financial instruments	144.4	144.4	233.0	233.0
4	Amounts owed to credit institutions	1,288.4	1,288.4	1,869.3	1,869.3
5	Amounts owed to other customers	137.8	137.8	169.9	169.9
6	Debt securities in issue	3,588.5	3,588.5	2,708.6	2,708.6
7	Other liabilities and accruals	392.9	392.9	300.2	300.2
8	Current tax liabilities	-	-	0.0	0.0
9	Deferred tax liabilities	34.1	34.1	38.4	38.4
10	Provisions for liabilities and charges	13.8	13.8	1.3	1.3
11	Subordinated liabilities	326.3	326.3	323.9	323.9
12	Subscribed capital	8.0	8.0	33.0	33.0
	Total liabilities	28,315.6	28,315.6	26,502.5	26,502.5
Shareholders' Equity					
1	General reserve	1,586.2	1,586.2	1,548.5	1,548.5
2	Cash flow hedge reserve	75.4	75.4	74.3	74.3
3	Fair value reserve	0.5	0.5	4.7	4.7
4	Revaluation reserve	1.6	1.6	1.6	1.6
5	Other reserve	14.3	14.3	14.3	14.3
	Total shareholders' equity	1,678.0	1,678.0	1,643.4	1,643.4
	Total liabilities and equity	29,993.6	29,993.6	28,145.9	28,145.9

Annex IX: Countercyclical Capital Buffers

4 Annex IX: Countercyclical Capital Buffers

4.1 UK CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Table 6 has been prepared in accordance with CRD, article 140 and excludes exposures to central governments, central banks, regional governments, local authorities, public sector entities, multilateral development banks and institutions. Therefore, exposure values and total own funds requirements differ to elsewhere in these disclosures.

Table 6 (UK CCyB1): Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer		30 June 2024												
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures	Total exposure value	Own funds requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Counter-cyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures – Exposure value for non-trading book		Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
a	b	c	d	e	f	g	h	i	j	k	l	m		
		£m	£m	£m	£m	£m	£m	£m	£m	£m			%	
010	Breakdown by country													
	UK only	1,355.4	22,888.7	-	-	587.0	24,831.1	410.1	-	4.7	414.8	5,185.2	100.00%	2.00%
020	Total	1,355.4	22,888.7	-	-	587.0	24,831.1	410.1	-	4.7	414.8	5,185.2	100.00%	2.00%
31 Dec 2023														
010	Breakdown by country													
	UK only	1,276.9	21,703.1	-	-	363.0	23,343.0	368.6	-	2.9	371.5	4,644.3	100.00%	2.00%
020	Total	1,276.9	21,703.1	-	-	363.0	23,343.0	368.6	-	2.9	371.5	4,644.3	100.00%	2.00%

4.2 UK CCyB2: Amount of institution-specific countercyclical capital buffer

The requirement for a countercyclical capital buffer under Article 440 of the CRR is set out below. As foreign credit exposures represent less than 2% of the Society's aggregate risk weighed exposures, all exposures have been allocated to the UK.

Table 7 below shows that the Society had an institution specific countercyclical capital buffer requirement of £119.8m (December 2023: £107.1m). The requirement results from multiplying the total risk exposure amount (the total credit risk weighted assets from table 3) by the buffer rate for that country and summing the result.

Table 7 (UK CCyB2): Amount of institution-specific countercyclical capital buffer		Jun-24	Dec-23
		a	b
1	Total risk exposure amount £m	5,991.3	5,355.1
2	Institution specific countercyclical buffer rate %	2.00%	2.00%
3	Institution specific countercyclical capital buffer requirement £m	119.8	107.1

Annex XI: Leverage Ratio

5 Annex XI: 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 leverage ratio is calculated on a fully loaded basis. Fully loaded Tier 1 Capital does not include IFRS 9 transitional adjustments (June 2024: nil, December 2023: nil).

The UK leverage ratio is specific to the UK regulatory regime and only applies to financial institutions with retail 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.

5.1 UK LR1: Summary reconciliation of accounting assets and leverage ratio exposures

Table 8 (UK LR1) : Summary reconciliation of accounting assets and leverage ratio exposures		Jun-24 a £m	Dec-23 a £m
1	Total assets as per published financial statements	29,993.6	28,145.9
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for exemption of exposures to central banks)	(3,918.5)	(3,083.1)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	-	-
8	Adjustment for derivative financial instruments	(131.0)	(133.9)
9	Adjustment for securities financing transactions (SFTs)	-	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	334.0	259.4
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	-	-
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-	-
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	-	-
12	Other adjustments	(63.0)	(60.2)
13	Total exposure measure	26,215.2	25,128.1

Annex XI: Leverage Ratio

5.2 UK LR2: Leverage ratio common disclosure

Table 9 (UK LR2): Leverage ratio common disclosure		Jun-24 a £m	Dec-23 b £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	29,548.5	27,702.3
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(63.0)	(60.2)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	29,485.5	27,642.0
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	231.0	236.1
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	83.1	73.7
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-	-
UK-9b	Exposure determined under the original exposure method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	314.1	309.7
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-	-
17	Agent transaction exposures	-	-
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	-	-
18	Total securities financing transaction exposures	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,655.1	1,282.0
20	(Adjustments for conversion to credit equivalent amounts)	(1,321.1)	(1,022.6)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	334.0	259.4
Excluded exposures			
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-	-
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off-balance sheet))	-	-
UK-22g	(Excluded excess collateral deposited at triparty agents)	-	-
UK-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital (leverage)	1,539.4	1,508.9
24	Total exposure measure including claims on central banks	30,133.7	28,211.2
UK-24a	(- Claims on central banks excluded)	(3,918.5)	(3,083.1)
UK-24b	Total exposure measure excluding claims on central banks	26,215.2	25,128.1
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	5.87%	6.00%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.87%	6.00%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	5.87%	6.00%
UK-25c	Leverage ratio including claims on central banks (%)	5.11%	5.35%
26	Regulatory minimum leverage ratio requirement (%)	LREQ only	LREQ only
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)	LREQ only	LREQ only
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	LREQ only	LREQ only
UK-27b	Of which: countercyclical leverage ratio buffer (%)	LREQ only	LREQ only
Additional leverage ratio disclosure requirements - disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	LREQ only	LREQ only
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	LREQ only	LREQ only
UK-31	Average total exposure measure including claims on central banks	LREQ only	LREQ only
UK-32	Average total exposure measure excluding claims on central banks	LREQ only	LREQ only
UK-33	Average leverage ratio including claims on central banks	LREQ only	LREQ only
UK-34	Average leverage ratio excluding claims on central banks	LREQ only	LREQ only

Annex XI: Leverage Ratio

5.3 UK LR3: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

Table 10 (UK LR3) : Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		Jun-24 a £m	Dec-23 a £m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	29,548.5	27,702.3
UK-2	Trading book exposures	-	-
UK-3	Banking book exposures, of which:	29,548.5	27,702.3
UK-4	Covered bonds	780.0	748.7
UK-5	Exposures treated as sovereigns	4,671.8	4,132.9
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-	-
UK-7	Institutions	181.9	311.1
UK-8	Secured by mortgages on immovable properties	22,705.1	21,656.8
UK-9	Retail exposures	-	-
UK-10	Corporates	-	-
UK-11	Exposures in default	147.4	137.3
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1,062.3	715.3

The movement in other exposures primarily reflects an increase in the Society's exposure to securitisation positions (see section 13).

Annex XIII: Liquidity Requirements

6 Annex XIII: Liquidity Requirements

6.1 UK LIQ1: Quantitative information of LCR

Table 11 (UK LIQ1): Quantitative information of LCR		Total unweighted value (average)				Total weighted value (average)			
1a	Quarter ending: £m	Jun-24 a	Mar-24 b	Dec-23 c	Sep-23 d	Jun-24 e	Mar-24 f	Dec-23 g	Sep-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)					5,144.7	4,885.2	4,678.4	4,360.8
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	20,642.1	19,875.5	19,060.9	18,295.9	1,399.4	1,310.6	1,221.2	1,151.8
3	Stable deposits	9,065.8	8,794.4	8,507.3	8,276.9	453.3	439.7	425.4	413.8
4	Less stable deposits	11,576.2	11,081.1	10,553.6	9,963.9	946.1	870.9	795.8	738.0
5	Unsecured wholesale funding	71.5	47.4	44.5	40.6	45.3	22.9	20.7	19.6
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	46.1	42.8	42.8	38.7	19.9	18.3	19.0	17.8
8	Unsecured debt	25.4	4.6	1.7	1.9	25.4	4.6	1.7	1.9
9	Secured wholesale funding	-	-	-	-	-	-	-	-
10	Additional requirements	433.6	389.4	404.0	386.0	433.6	389.4	404.0	386.0
11	Outflows related to derivative exposures and other collateral requirements	374.5	369.9	365.7	357.1	374.5	369.9	365.7	357.1
12	Outflows related to loss of funding on debt products	53.3	16.1	37.5	29.0	53.3	16.1	37.5	29.0
13	Credit and liquidity facilities	5.8	3.3	0.8	-	5.8	3.3	0.8	-
14	Other contractual funding obligations	42.1	31.1	32.4	27.1	23.6	17.5	19.0	14.3
15	Other contingent funding obligations	1,462.7	1,433.2	1,361.1	1,310.6	511.9	501.6	476.4	458.7
16	TOTAL CASH OUTFLOWS					2,413.8	2,242.0	2,141.3	2,030.5
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	165.9	161.3	155.1	148.4	138.6	134.0	128.6	121.6
19	Other cash inflows	86.8	82.9	33.7	41.2	86.8	82.9	33.7	41.2
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	252.6	244.2	188.8	189.6	225.4	216.9	162.2	162.8
UK-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
UK-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
UK-20c	Inflows subject to 75% cap	252.6	244.2	188.8	189.6	225.4	216.9	162.2	162.8
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					5,144.7	4,885.2	4,678.4	4,360.8
22	TOTAL NET CASH OUTFLOWS					2,188.4	2,025.1	1,979.1	1,867.7
23	LIQUIDITY COVERAGE RATIO					237.8%	241.9%	236.0%	232.8%

6.2 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 an increase in the total net cash outflows as a result of an increase in the stressed retail deposit outflow requirements, though this has been largely moderated by an increase in the size of the liquid asset buffer as a result of greater retail deposits across the year.

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 supnationals, as well as some

Annex XIII: Liquidity Requirements

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.

Annex XIII: Liquidity Requirements

6.3 UK LIQ2: Net Stable Funding Ratio

Table 12 (UK LIQ2): Net Stable Funding Ratio		Jun-24				Weighted value (average) e
		Unweighted value by residual maturity (average)				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		a	b	c	d	e
Available stable funding (ASF) Items £m						
1	Capital items and instruments	-	-	-	1,232.1	1,232.1
2	Own funds	-	-	-	1,232.1	1,232.1
3	Other capital instruments	-	-	-	-	-
4	Retail deposits	-	18,417.0	1,112.0	1,319.8	19,353.2
5	Stable deposits	-	9,146.8	-	-	8,689.5
6	Less stable deposits	-	9,270.2	1,112.0	1,319.8	10,663.7
7	Wholesale funding:	-	434.3	925.5	3,781.1	4,306.4
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	434.3	925.5	3,781.1	4,306.4
10	Interdependent liabilities	-	-	-	-	-
11	Other liabilities:	24.8	491.6	-	-	-
12	NSFR derivative liabilities	24.8	-	-	-	-
13	All other liabilities and capital instruments not included in the above categories	-	491.6	-	-	-
14	Total available stable funding (ASF)					25,293.3
Required stable funding (RSF) Items £m						
15	Total high-quality liquid assets (HQLA)					174.3
UK-15a	Assets encumbered for more than 12m in cover pool		64.2	62.2	3,204.1	2,830.9
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		393.3	230.1	18,172.1	14,085.1
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		36.0	-	-	3.6
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		0.5	0.2	15.4	13.5
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
22	Performing residential mortgages, of which:		216.7	211.5	18,112.2	13,945.6
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		184.0	179.7	14,159.2	10,552.0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		140.1	18.3	44.5	122.4
25	Interdependent assets		-	-	-	-
26	Other assets:		1,866.9	5.5	684.0	858.1
27	Physical traded commodities		-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		182.0	-	-	154.7
29	NSFR derivative assets		-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted		48.7	-	-	2.4
31	All other assets not included in the above categories		161.5	5.5	684.0	700.7
32	Off-balance sheet items		1,474.7	-	-	0.4
33	Total RSF					17,948.6
34	Net Stable Funding Ratio (%)					141.0%

Annex XV: Credit Risk Quality

7 Annex XV: Credit Risk Quality

7.1 UK CR1: Performing and non-performing exposures and related provisions

Table 13 (UK CR1): Performing and non-performing exposures and related provisions		30 June 2024														
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		a	Of which stage 1 b	Of which stage 2 c	d	Of which stage 2 e	Of which stage 3 f	g	Of which stage 1 h	Of which stage 2 i	j	Of which stage 2 k	Of which stage 3 l	m		
005	Cash balances at central banks and other demand deposits	3,672.9	3,672.9	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	22,857.3	19,044.0	3,813.3	302.9	13.5	289.4	(34.2)	(5.1)	(29.1)	(16.7)	(0.1)	(16.6)	188.1	22,815.2	286.2
	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Credit institutions	6.4	6.4	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	54.8	38.8	16.0	-	-	-	(1.2)	-	(1.2)	-	-	-	115.0	53.5	-
070	Of which SMEs	45.4	38.8	6.6	-	-	-	(0.5)	-	(0.5)	-	-	-	100.5	44.9	-
080	Households	22,796.1	18,998.8	3,797.3	302.9	13.5	289.4	(33.0)	(5.1)	(27.9)	(16.7)	(0.1)	(16.6)	73.1	22,761.7	286.2
090	Debt securities	2,404.0	2,404.0	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	696.8	696.8	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	1,120.2	1,120.2	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	587.0	587.0	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	1,644.6	1,644.3	0.3	-	-	-	(0.3)	(0.3)	-	-	-	-	-	-	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	44.9	44.9	-	-	-	-	-	-	-	-	-	-	-	-	-
210	Households	1,599.7	1,599.4	0.3	-	-	-	(0.3)	(0.3)	-	-	-	-	-	-	-
220	Total (£m)	30,578.7	26,765.1	3,813.6	302.9	13.5	289.4	(34.6)	(5.5)	(29.1)	(16.7)	(0.1)	(16.6)	188.1	22,815.2	286.2

Table 13 (UK CR1): Performing and non-performing exposures and related provisions		31 December 2023														
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		a	Of which stage 1 b	Of which stage 2 c	d	Of which stage 2 e	Of which stage 3 f	g	Of which stage 1 h	Of which stage 2 i	j	Of which stage 2 k	Of which stage 3 l	m		
005	Cash balances at central banks and other demand deposits	2,938.2	2,938.2	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	21,714.9	17,817.9	3,897.0	281.2	16.9	264.3	(37.9)	(4.7)	(33.2)	(16.6)	(0.1)	(16.5)	203.2	21,676.9	264.5
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	21.5	4.9	16.7	-	-	-	(1.4)	-	(1.4)	-	-	-	123.0	20.1	-
070	Of which SMEs	11.5	4.9	6.7	-	-	-	(0.5)	-	(0.5)	-	-	-	108.0	10.9	-
080	Households	21,693.4	17,813.0	3,880.3	281.2	16.9	264.3	(36.5)	(4.7)	(31.8)	(16.6)	(0.1)	(16.5)	80.2	21,656.8	264.5
090	Debt securities	2,515.6	2,515.6	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	1,047.2	1,047.2	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	1,105.4	1,105.4	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	363.0	363.0	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	1,271.9	1,271.6	0.3	-	-	-	(0.3)	(0.3)	-	-	-	-	-	-	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	10.3	10.3	-	-	-	-	-	-	-	-	-	-	-	-	-
210	Households	1,261.6	1,261.3	0.3	-	-	-	(0.3)	(0.3)	-	-	-	-	-	-	-
220	Total (£m)	28,440.6	24,543.3	3,897.3	281.2	16.9	264.3	(38.2)	(5.0)	(33.2)	(16.6)	(0.1)	(16.5)	203.2	21,676.9	264.5

Annex XV: Credit Risk Quality

7.2 UK CR1A: Maturity of exposures

Table 14 (UK CR1-A) : Maturity of exposures		30 June 2024					
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
£m	a	b	c	d	e	f	
1	Loans and advances	8.1	63.1	696.2	22,335.2	-	23,102.6
2	Debt securities	-	554.3	1,125.4	724.3	-	2,404.0
3	Total	8.1	617.4	1,821.6	23,059.5	-	25,506.6

		31 December 2023					
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
£m	a	b	c	d	e	f	
1	Loans and advances	6.9	66.8	684.8	21,182.8	-	21,941.2
2	Debt securities	-	1,113.3	947.1	455.2	-	2,515.6
3	Total	6.9	1,180.0	1,631.9	21,638.0	-	24,456.8

7.3 UK CR2: Changes in the stock of non-performing loans and advances

The Society has a non-performing loans ratio below the 5% threshold for disclosure.

7.4 UK CR2A: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

The Society has a non-performing loans ratio below the 5% threshold for disclosure.

7.5 UK CQ1: Credit quality of forbore exposures

Table 15 (UK CQ1): Credit quality of forbore exposures		30 June 2024							
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures	
		Performing forbore	Non-performing forbore			On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired					
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	16.5	110.5	67.3	107.9	-	(2.5)	124.5	108.1
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	-	-	-	-	-	-	-	-
070	Households	16.5	110.5	67.3	107.9	-	(2.5)	124.5	108.1
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	16.5	110.5	67.3	107.9	-	(2.5)	124.5	108.1

Annex XV: Credit Risk Quality

		31 December 2023							
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures	
		Performing forbore	Non-performing forbore		On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
Of which defaulted	Of which impaired								
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	15.0	102.4	61.1	98.9	-	(2.5)	114.9	99.9
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	-	-	-	-	-	-	-	-
070	Households	15.0	102.4	61.1	98.9	-	(2.5)	114.9	99.9
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	15.0	102.4	61.1	98.9	-	(2.5)	114.9	99.9

7.6 UK CQ2: Quality of forbearance

The Society has a non-performing loans ratio below the 5% threshold for disclosure.

7.7 UK CQ4: Quality of non-performing exposures by geography

Non-domestic exposures are below the 10% threshold (i.e. non-domestic exposures divided by total exposures) for disclosure.

7.8 UK CQ5: Credit quality of loans and advances to non-financial corporations by industry

No sector split or residual maturity profile has been included for the legacy commercial loan portfolio due to the low materiality of the remaining exposure, which was £5.1m at 30 June 2024 (December 2023: £6.0m). As individual commercial loans could potentially be identified from this disclosure, for confidentiality reasons, in line with CRR article 432, table CQ5 has not been presented.

7.9 UK CQ6: Collateral valuation - loans and advances

The Society has a non-performing loans ratio below the 5% threshold for disclosure.

7.10 UK CQ7: Collateral obtained by taking possession and execution processes

The Society does not recognise collateral obtained by taking possession on its balance sheet. Following repossession, the value of the associated loan asset is reduced to the recoverable amount. As UK CQ7 only discloses repossessed collateral held on the balance sheet, this table has not been presented.

7.11 UK CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown

The Society has a non-performing loans ratio below the 5% threshold for disclosure.

Annex XVII: Credit Risk Mitigation Techniques

8 Annex XVII: Credit Risk Mitigation Techniques

8.1 UK CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

Table 16 (UK CR3) : CRM techniques overview: Disclosure of the use of credit risk mitigation techniques		30 June 2024				
		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
£m		a	b	c	d	e
1	Loans and advances	7.8	23,101.5	23,101.5	-	-
2	Debt securities	2,404.0	-	-	-	-
3	Total	2,411.8	23,101.5	23,101.5	-	-
4	<i>Of which non-performing exposures</i>	16.7	286.2	286.2	-	-
5	<i>Of which defaulted</i>	-	162.4	-	-	-

		31 December 2023				
		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
£m		a	b	c	d	e
1	Loans and advances	-	21,941.4	21,941.4	-	-
2	Debt securities	2,515.6	-	-	-	-
3	Total	2,515.6	21,941.4	21,941.4	-	-
4	<i>Of which non-performing exposures</i>	16.6	264.5	264.5	-	-
5	<i>Of which defaulted</i>	-	158.2	-	-	-

Annex XIX: Use of the Standardised Approach

9 Annex XIX: Use of the Standardised Approach

9.1 UK CR4: Standardised approach – Credit risk exposure and CRM effects

Exposure classes		30 June 2024					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures a	Off-balance-sheet exposures b	On-balance-sheet exposures c	Off-balance-sheet amount d	RWAs e	RWAs density (%) f
1	Central governments or central banks	4,172.2	-	4,172.2	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	171.0	-	171.0	-	-	-
4	Multilateral development banks	328.6	-	328.6	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	181.9	-	181.9	-	36.4	20.00%
7	Corporates	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-
9	Secured by mortgages on immovable property	548.8	60.7	548.8	12.1	225.1	40.14%
10	Exposures in default	6.4	-	6.4	-	6.4	100.15%
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	780.0	-	780.0	-	78.0	10.00%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	3.1	10.0	3.1	5.0	5.0	61.48%
17	TOTAL	6,192.0	70.7	6,192.0	17.1	350.9	5.65%

Exposure classes		31 December 2023					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures a	Off-balance-sheet exposures b	On-balance-sheet exposures c	Off-balance-sheet amount d	RWAs e	RWAs density (%) f
1	Central governments or central banks	3,870.7	-	3,870.7	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	81.9	-	81.9	-	-	-
4	Multilateral development banks	180.3	-	180.3	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	311.1	-	311.1	-	77.2	24.82%
7	Corporates	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-
9	Secured by mortgages on immovable property	511.1	21.7	511.1	4.3	208.0	40.35%
10	Exposures in default	5.4	-	5.4	-	5.4	100.07%
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	748.7	-	748.7	-	74.9	10.00%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	2.4	10.0	2.4	5.0	5.0	67.99%
17	TOTAL	5,711.6	31.7	5,711.6	9.3	370.5	6.48%

Annex XIX: Use of the Standardised Approach

9.2 UK CR5: Standardised approach

Table 18 (UK CR5) : Standardised approach		30 June 2024															Total	Of which unrated
		Risk weights																
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	p	q
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		
1	Central governments or central banks	4,172.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,172.2	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	171.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	171.0	-
4	Multilateral development banks	328.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	328.6	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	0.0	-	-	-	181.9	-	-	-	-	-	-	-	-	-	-	181.9	-
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	514.6	-	-	2.5	43.9	-	-	-	-	-	561.0	561.0
10	Exposures in default	-	-	-	-	-	-	-	-	-	6.4	0.0	-	-	-	-	6.4	6.4
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	780.0	-	-	-	-	-	-	-	-	-	-	-	780.0	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	3.1	-	-	-	-	-	-	-	-	5.0	-	-	-	-	-	8.1	5.0
17	TOTAL	4,674.9	-	-	780.0	181.9	514.6	-	-	2.5	55.3	0.0	-	-	-	-	6,209.1	572.4

		31 December 2023															Total	Of which unrated
		Risk weights																
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	p	q
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		
1	Central governments or central banks	3,870.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,870.7	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	81.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81.9	-
4	Multilateral development banks	180.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180.3	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	0.0	-	-	-	261.0	-	50.1	-	-	-	-	-	-	-	-	311.1	-
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	471.3	-	-	1.0	43.1	-	-	-	-	-	515.4	515.4
10	Exposures in default	-	-	-	-	-	-	-	-	-	5.4	0.0	-	-	-	-	5.4	5.4
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	748.7	-	-	-	-	-	-	-	-	-	-	-	748.7	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	2.4	-	-	-	-	-	-	-	-	5.0	-	-	-	-	-	7.4	5.0
17	TOTAL	4,135.3	-	-	748.7	261.0	471.3	50.1	-	1.0	53.5	0.0	-	-	-	-	5,720.9	525.8

Annex XXI: Use of the IRB approach to Credit Risk

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

10.1 UK CR6: IRB approach – Credit risk exposures by exposure class and PD range

Table 19 (UK CR6): IRB approach – Credit risk exposures by exposure class and PD range

30 June 2024

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	b	c	d	e	f	g	h	i	j	k	l	m
	£m	£m	%	£m	%		%		£m	%	£m	£m
A-IRB - Retail Exposure Class												
PD scale												
0.00 to <0.15	1,133.7	0.1	99.99%	1,133.7	0.11%	13,708	10.59%	-	51.6	4.56%	0.2	(0.6)
0.00 to <0.10	-	-	-	-	-	-	-	-	-	0.00%	-	-
0.10 to <0.15	1,133.7	0.1	99.99%	1,133.7	0.11%	13,708	10.59%	-	51.6	4.56%	0.2	(0.6)
0.15 to <0.25	-	-	-	-	-	-	-	-	-	0.00%	-	-
0.25 to <0.50	6,006.0	60.9	99.20%	6,018.2	0.36%	56,037	10.23%	-	638.3	10.61%	3.6	(4.6)
0.50 to <0.75	7,271.5	836.2	91.75%	7,438.8	0.64%	56,486	9.63%	-	1,052.2	14.14%	7.4	(5.0)
0.75 to <2.50	6,096.5	662.7	92.16%	6,229.0	1.55%	54,623	10.43%	-	1,726.9	27.72%	16.4	(7.2)
0.75 to <1.75	5,006.8	662.3	90.65%	5,139.2	1.47%	41,591	10.31%	-	1,336.9	26.01%	12.7	(5.5)
1.75 to <2.50	1,089.7	0.4	99.97%	1,089.8	1.92%	13,032	11.08%	-	389.9	35.78%	3.7	(1.7)
2.50 to <10.00	1,653.4	24.6	98.83%	1,658.3	4.37%	14,929	9.83%	-	823.1	49.64%	11.4	(5.7)
2.50 to <5.00	1,197.6	23.9	98.44%	1,202.3	3.50%	10,693	9.94%	-	544.9	45.32%	6.7	(3.4)
5.00 to <10.00	455.8	0.8	99.87%	456.0	6.66%	4,236	9.52%	-	278.2	61.01%	4.6	(2.3)
10.00 to <100.00	263.0	-	100.00%	263.0	34.20%	2,666	12.28%	-	261.1	99.29%	20.3	(6.5)
10.00 to <20.00	86.6	-	100.00%	86.6	12.22%	895	8.77%	-	62.7	72.47%	1.5	(0.9)
20.00 to <30.00	80.2	-	100.00%	80.2	28.58%	717	11.50%	-	90.7	113.06%	4.2	(2.0)
30.00 to <100.00	96.2	-	100.00%	96.2	58.67%	1,054	16.09%	-	107.7	111.94%	14.7	(3.5)
100.00 (Default)	147.7	-	100.00%	147.7	100.00%	1,977	2.29%	-	258.7	175.10%	3.4	(10.8)
Subtotal (exposure class)	22,571.8	1,584.5	94.75%	22,888.7	2.09%	200,426	10.05%	-	4,811.9	21.02%	62.7	(40.4)
Total (all exposures classes)	22,571.8	1,584.5	94.75%	22,888.7	2.09%	200,426	10.05%	-	4,811.9	21.02%	62.7	(40.4)

IRB approach – Credit risk exposures by exposure class and PD range

31 December 2023

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	b	c	d	e	f	g	h	i	j	k	l	m
	£m	£m	%	£m	%		%		£m	%	£m	£m
A-IRB - Retail Exposure Class												
PD scale												
0.00 to <0.15	1,366.7	0.2	99.99%	1,366.8	0.11%	15,816	11.63%	-	66.2	4.84%	0.3	(1.1)
0.00 to <0.10	-	-	0.00%	-	0.00%	-	0.00%	-	-	0.00%	-	-
0.10 to <0.15	1,366.7	0.2	99.99%	1,366.8	0.11%	15,816	11.63%	-	66.2	4.84%	0.3	(1.1)
0.15 to <0.25	-	-	0.00%	-	0.00%	-	0.00%	-	-	0.00%	-	-
0.25 to <0.50	5,800.2	40.4	99.45%	5,808.3	0.36%	54,662	10.48%	-	612.9	10.55%	3.4	(5.3)
0.50 to <0.75	6,725.9	693.1	92.53%	6,864.5	0.63%	53,070	9.42%	-	920.7	13.41%	6.4	(4.8)
0.75 to <2.50	5,631.5	496.1	93.52%	5,730.7	1.51%	50,761	10.19%	-	1,498.0	26.14%	14.0	(7.1)
0.75 to <1.75	4,729.1	496.0	92.41%	4,828.3	1.44%	39,561	10.03%	-	1,183.2	24.51%	11.0	(5.4)
1.75 to <2.50	902.4	0.2	99.98%	902.4	1.92%	11,200	11.15%	-	314.8	34.88%	3.0	(1.7)
2.50 to <10.00	1,546.8	20.5	98.95%	1,550.9	4.35%	14,178	9.57%	-	724.9	46.74%	10.0	(5.9)
2.50 to <5.00	1,119.8	20.1	98.59%	1,123.9	3.47%	10,118	9.63%	-	474.7	42.24%	5.8	(3.5)
5.00 to <10.00	427.0	0.4	99.93%	427.1	6.67%	4,060	9.43%	-	250.2	58.59%	4.2	(2.4)
10.00 to <100.00	237.3	-	100.00%	237.3	34.20%	2,500	12.17%	-	227.6	95.92%	17.5	(6.6)
10.00 to <20.00	73.9	-	100.00%	73.9	12.21%	801	8.84%	-	52.3	70.68%	1.2	(1.0)
20.00 to <30.00	76.0	-	99.99%	76.0	28.69%	684	11.32%	-	81.9	107.70%	3.8	(2.4)
30.00 to <100.00	87.3	-	100.00%	87.3	57.62%	1,015	15.71%	-	93.4	107.04%	12.5	(3.3)
100.00 (Default)	144.7	-	99.99%	144.7	100.00%	1,962	1.93%	-	264.6	182.89%	2.8	(12.6)
Subtotal (exposure class)	21,453.1	1,250.3	95.59%	21,703.1	2.05%	192,949	10.03%	-	4,314.8	19.88%	54.4	(43.4)
Total (all exposures classes)	21,453.1	1,250.3	95.59%	21,703.1	2.05%	192,949	10.03%	-	4,314.8	19.88%	54.4	(43.4)

Annex XXI: Use of the IRB approach to Credit Risk

10.2 UK CR7: IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

The Society does not use credit derivatives to mitigate credit risk.

10.3 UK CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques

The Society does not use credit risk mitigation techniques under the IRB approach.

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

Table 20 (UK CR8) : RWEA flow statements of credit risk exposures under the IRB approach		Jun-24
£m		RWEA
		a
1	Risk weighted exposure amount as at the end of the previous reporting period²	4,477.7
2	Asset size (+/-)	146.3
3	Asset quality (+/-)	43.7
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	144.1
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	-
8	Other (+/-)	-
9	Risk weighted exposure amount as at the end of the reporting period²	4,811.9

RWEAs under the IRB approach, excluding non-credit obligation assets, have increased by £334.2m to £4,811.9m. This was due to:

- a £146.3m increase relating to asset size driven by net book growth;
- a £43.7m deterioration in asset quality reflecting increases in portfolio LTVs, mainly driven by HPI updates and new, purposeful lending generally being at a higher LTV than the existing portfolio; and
- a £144.1m increase due to methodology and policy following a re-calculation of the adjustment to reflect the expected impact of capital reforms. The increase represents changes in the size and composition of the book rather than any updates to IRB model outputs.

² The RWEA reported in table 20 excludes £240.0m (March 2023: £262.3m) of non-credit obligation assets.

Annex XXIII: Specialised Lending

11 Annex XXIII: Specialised Lending

11.1 UK CR10: Specialised lending and equity exposures under the simple risk weighted approach

The Society does not employ slotting for any specialised lending exposures.

Annex XXV: Exposures to Counterparty Credit Risk

12 Annex XXV: Exposures to Counterparty Credit Risk

12.1 UK CCR1: Analysis of CCR exposure by approach

Table 21 (UK CCR1): Analysis of CCR exposure by approach		30 June 2024							
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
£m		a	b	c	d	e	f	g	h
UK1	Original Exposure Method (for derivatives)	-	-	-	1.4	-	-	-	-
UK2	Simplified SA-CCR (for derivatives)	-	-	-	1.4	-	-	-	-
1	SA-CCR (for derivatives)	0.6	2.8	-	1.4	19.1	4.8	4.8	2.0
2	IMM (for derivatives and SFTs)	-	-	-	-	-	-	-	-
2a	<i>Of which securities financing transactions netting sets</i>	-	-	-	-	-	-	-	-
2b	<i>Of which derivatives and long settlement transactions netting sets</i>	-	-	-	-	-	-	-	-
2c	<i>Of which from contractual cross-product netting sets</i>	-	-	-	-	-	-	-	-
3	Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-	-
4	Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	-	-	-
5	VaR for SFTs	-	-	-	-	-	-	-	-
6	Total	-	-	-	-	19.1	4.8	4.8	2.0

Table 21 (UK CCR1): Analysis of CCR exposure by approach		31 December 2023							
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
£m		a	b	c	d	e	f	g	h
UK1	Original Exposure Method (for derivatives)	-	-	-	1.4	-	-	-	-
UK2	Simplified SA-CCR (for derivatives)	-	-	-	1.4	-	-	-	-
1	SA-CCR (for derivatives)	1.3	3.3	-	1.4	19.9	6.4	6.4	3.0
2	IMM (for derivatives and SFTs)	-	-	-	-	-	-	-	-
2a	<i>Of which securities financing transactions netting sets</i>	-	-	-	-	-	-	-	-
2b	<i>Of which derivatives and long settlement transactions netting sets</i>	-	-	-	-	-	-	-	-
2c	<i>Of which from contractual cross-product netting sets</i>	-	-	-	-	-	-	-	-
3	Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-	-
4	Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	-	-	-
5	VaR for SFTs	-	-	-	-	-	-	-	-
6	Total	-	-	-	-	19.9	6.4	6.4	3.0

12.2 UK CCR2: Transactions subject to own funds requirements for CVA risk

Table 22 (UK CCR2): Transactions subject to own funds requirements for CVA risk		Jun-24		Dec-23	
		Exposure value	RWEA	Exposure value	RWEA
£m		a	b	a	b
1	Total transactions subject to the Advanced method	-	-	-	-
2	(i) VaR component (including the 3x multiplier)	-	-	-	-
3	(ii) stressed VaR component (including the 3x multiplier)	-	-	-	-
4	Transactions subject to the Standardised method	4.8	6.5	6.4	8.5
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-	-	-
5	Total transactions subject to own funds requirements for CVA risk	4.8	6.5	6.4	8.5

Annex XXV: Exposures to Counterparty Credit Risk

12.3 UK CCR3: Standardised approach – CCR exposures by regulatory exposure class and risk weights

Table 23 (UK CCR3): Standardised approach – CCR exposures by regulatory exposure class and risk weights		30 June 2024											Total exposure value
		Risk weight											
£m	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	308.9	-	-	1.2	3.6	-	-	-	-	-	313.7
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	-	308.9	-	-	1.2	3.6	-	-	-	-	-	313.7

Standardised approach – CCR exposures by regulatory exposure class and risk weights		31 December 2023											Total exposure value
		Risk weight											
£m	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	303.2	-	-	-	6.1	-	-	-	-	-	309.3
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	-	303.2	-	-	-	6.1	-	-	-	-	-	309.3

12.4 UK CCR4: IRB approach – CCR exposures by exposure class and PD scale

The Society does not use IRB for counterparty credit risk exposures.

Annex XXV: Exposures to Counterparty Credit Risk

12.5 UK CCR5: Composition of collateral for CCR exposures

Table 24 (UK CCR5): Composition of collateral for CCR exposures		30 June 2024				Collateral used in securities financing transactions (SFTs)	
		Collateral used in derivatives transactions		Fair value of collateral posted		Fair value of collateral	Fair value of collateral posted
		Fair value of collateral received Segregated	Unsegregated	Segregated	Unsegregated		
£m	Collateral type	a	b	c	d	e	f
1	Cash	-	351.9	190.8	15.7	-	-
2	Debt	-	-	-	-	-	-
3	Equity	-	-	-	-	-	-
4	Other	-	-	-	-	-	-
5	Total	-	351.9	190.8	15.7	-	-

Composition of collateral for CCR exposures		31 December 2023				Collateral used in securities financing transactions (SFTs)	
		Collateral used in derivatives transactions		Fair value of collateral posted		Fair value of collateral	Fair value of collateral posted
		Fair value of collateral received Segregated	Unsegregated	Segregated	Unsegregated		
£m	Collateral type	a	b	c	d	e	f
1	Cash	-	267.7	192.3	15.9	-	-
2	Debt	-	-	-	-	-	-
3	Equity	-	-	-	-	-	-
4	Other	-	-	-	-	-	-
5	Total	-	267.7	192.3	15.9	-	-

12.6 UK CCR6: Credit derivatives exposures

The Society does not use credit derivatives to mitigate credit risk.

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

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

Annex XXV: Exposures to Counterparty Credit Risk

12.8 UK CCR8: Exposures to CCPs

Table 25 (UK CCR8): Exposures to CCPs		30 June 2024		31 December 2023	
		Exposure value	RWEA	Exposure value	RWEA
£m		a	b	a	b
1	Exposures to QCCPs (total)		6.2		6.1
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	309.4	6.2	303.7	6.1
3	(i) OTC derivatives	309.4	6.2	303.7	6.1
4	(ii) Exchange-traded derivatives	-	-	-	-
5	(iii) SFTs	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	190.8		192.3	
8	Non-segregated initial margin	-	-	-	-
9	Prefunded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	Exposures to non-QCCPs (total)		-		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC derivatives	-	-	-	-
14	(ii) Exchange-traded derivatives	-	-	-	-
15	(iii) SFTs	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-		-	
18	Non-segregated initial margin	-	-	-	-
19	Prefunded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

Annex XXVII: Exposures to Securitisation Positions

13 Annex XXVII: Exposures to Securitisation Positions

13.1 UK SEC1: Securitisation exposures in the non-trading book

Table 26 (UK SEC1): Securitisation exposures in the non-trading book		30 June 2024														
		Institution acts as Originator						Institution acts as Sponsor				Institution acts as Investor				
		Traditional		Non-STS		Synthetic		Sub-Total	Traditional		Synthetic	Sub-Total	Traditional		Synthetic	Sub-Total
		STS	of which SRT	Non-STS	of which SRT	of which SRT	STS		Non-STS	STS			Non-STS			
a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		
£m																
1	Total exposures	672.3	-	-	-	-	672.3	-	-	-	-	557.1	24.9	-	582.0	
2	Retail (total)	672.3	-	-	-	-	672.3	-	-	-	-	557.1	24.9	-	582.0	
3	residential mortgage	672.3	-	-	-	-	672.3	-	-	-	-	557.1	24.9	-	582.0	
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

		31 December 2023														
		Institution acts as Originator						Institution acts as Sponsor				Institution acts as Investor				
		Traditional		Non-STS		Synthetic		Sub-Total	Traditional		Synthetic	Sub-Total	Traditional		Synthetic	Sub-Total
		STS	of which SRT	Non-STS	of which SRT	of which SRT	STS		Non-STS	STS			Non-STS			
a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		
£m																
1	Total exposures	335.7	-	-	-	-	335.7	-	-	-	-	362.2	0.9	-	363.0	
2	Retail (total)	335.7	-	-	-	-	335.7	-	-	-	-	362.2	0.9	-	363.0	
3	residential mortgage	335.7	-	-	-	-	335.7	-	-	-	-	362.2	0.9	-	363.0	
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Annex XXVII: Exposures to Securitisation Positions

13.2 UK SEC2: Securitisation exposures in the trading book

The Society does not have a trading book.

13.3 UK SEC3: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

The Society has securitised mortgage loans through Albion No.5 plc and Albion No. 6 plc. There are no capital requirements for these securitisation exposures due to no significant risk transfer.

13.4 UK SEC4: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

Table 27 (UK SEC4): Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor		30 June 2024																
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
£m	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	
1	Total exposures	582.0	-	-	-	-	582.0	-	-	-	60.7	-	-	-	4.9	-	-	
2	Traditional transactions	582.0	-	-	-	-	582.0	-	-	-	60.7	-	-	-	4.9	-	-	
3	Securitisation	582.0	-	-	-	-	582.0	-	-	-	60.7	-	-	-	4.9	-	-	
4	Retail underlying	582.0	-	-	-	-	582.0	-	-	-	60.7	-	-	-	4.9	-	-	
5	Of which STS	557.1	-	-	-	-	557.1	-	-	-	55.7	-	-	-	4.5	-	-	
6	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	Synthetic transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

		31 December 2023																
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
£m	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	
1	Total exposures	363.0	-	-	-	-	363.0	-	-	-	36.1	-	-	-	2.9	-	-	
2	Traditional transactions	363.0	-	-	-	-	363.0	-	-	-	36.1	-	-	-	2.9	-	-	
3	Securitisation	363.0	-	-	-	-	363.0	-	-	-	36.1	-	-	-	2.9	-	-	
4	Retail underlying	363.0	-	-	-	-	363.0	-	-	-	36.1	-	-	-	2.9	-	-	
5	Of which STS	362.2	-	-	-	-	362.2	-	-	-	36.1	-	-	-	2.9	-	-	
6	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	Synthetic transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Annex XXVII: Exposures to Securitisation Positions

13.5 UK SEC5: Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

30 June 2024			
Table 28 (UK SEC5): Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Exposures securitised by the institution - Institution acts as originator or as sponsor		
	Total outstanding nominal amount	Of which exposures in default	Total amount of specific credit risk adjustments made during the period
£m	a	b	c
1 Total exposures	719.9	-	-
2 Retail (total)	719.9	-	-
3 residential mortgage	719.9	-	-
4 credit card	-	-	-
5 other retail exposures	-	-	-
6 re-securitisation	-	-	-
7 Wholesale (total)	-	-	-
8 loans to corporates	-	-	-
9 commercial mortgage	-	-	-
10 lease and receivables	-	-	-
11 other wholesale	-	-	-
12 re-securitisation	-	-	-

31 December 2023			
Table 28 (UK SEC5): Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Exposures securitised by the institution - Institution acts as originator or as sponsor		
	Total outstanding nominal amount	Of which exposures in default	Total amount of specific credit risk adjustments made during the period
£m	a	b	c
1 Total exposures	368.4	-	-
2 Retail (total)	368.4	-	-
3 residential mortgage	368.4	-	-
4 credit card	-	-	-
5 other retail exposures	-	-	-
6 re-securitisation	-	-	-
7 Wholesale (total)	-	-	-
8 loans to corporates	-	-	-
9 commercial mortgage	-	-	-
10 lease and receivables	-	-	-
11 other wholesale	-	-	-
12 re-securitisation	-	-	-

Annex XXXV: Encumbered and Unencumbered Assets

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

14.1 UK MR1: Market risk under the standardised approach

The 2% threshold set out in the UK CRR has not been met.

14.2 UK MR2A: Market risk under the internal Model Approach (IMA)

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

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

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

14.4 UK MR3: IMA values for trading portfolios

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

14.5 UK MR4: Comparison of VaR estimates with gains/losses

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

Annex XXXVII: Interest Rate Risk in the Banking Book

15 Annex XXXVII: Interest Rate Risk in the Banking Book (IRRBB)

15.1 UK IRRBB1: Quantitative information on IRRBB

Table 29 (UK IRRBB1): Quantitative information on IRRBB £m		ΔEVE		ΔNII		Tier 1 capital	
		Jun-24 a	Dec-23 b	Jun-24 c	Dec-23 d	Jun-24 e	Dec-23 f
010	<i>Parallel shock up</i>	(116.9)	(35.8)	3.0	9.9		
020	<i>Parallel shock down</i>	62.8	18.4	0.1	(6.1)		
030	<i>Steeper shock</i>	9.2	9.0				
040	<i>Flattener shock</i>	(39.2)	(24.1)				
050	<i>Short rates shock up</i>	(74.0)	(33.5)				
060	<i>Short rates shock down</i>	39.0	17.3				
070	Maximum	(116.9)	(35.8)	0.1	(6.1)		
080	Tier 1 capital					1,539.4	1,508.9

Contact Information

16 Contact Information

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Glossary and Abbreviations

17 Glossary and Abbreviations

Assets and Liabilities Committee (ALCO)	A Society Board level committee which oversees treasury policy, financial risk management, wholesale funding and liquidity.
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 28 th 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 meet 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.

Glossary and Abbreviations

Credit Support Annex (CSA)	A Credit Support Annex is a legal document which regulates credit support (collateral) for derivative transactions. It is one of the four parts that make up an ISDA Master Agreement but is not mandatory. It is possible to have an ISDA agreement without a CSA but not normally a CSA without an ISDA agreement.
Default	Default occurs when a borrower is deemed unlikely to repay their loan or other amount due to the Society. This occurs when a borrower reaches a predefined arrears status.
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.
External Credit Assessment Institution (ECAI)	An ECAI (for example Moody's, Standard and Poor's, Fitch) is an institution that assigns credit ratings to issuers of certain types of debt obligations as well as the debt instruments themselves.
Expected loss (EL)	A calculation to estimate potential losses on current exposures due to potential defaults in the next 12 months; the term is used in relation to exposures modelled under the Internal Ratings Based (IRB) approach and is derived from the multiplication of the PD, LGD and EAD.
Financial Conduct Authority (FCA)	The UK regulatory body responsible for conduct of business regulation and supervision of UK authorised firms. The FCA is also responsible for the prudential regulation of firms which do not fall within the scope of the PRA.
Financial Policy Committee (FPC)	An official committee of the BoE the primary role of which is to identify, monitor, and take action to remove or reduce risks that threaten the resilience of the UK financial system as a whole.
Group	The Society and its subsidiaries including entities under its control.
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 variety of stressed scenarios.
Impaired Loans	Impaired loans are those loans where there is objective evidence that an impairment event has occurred, meaning that the Society does not expect to collect all the contractual cash flows or does not expect to collect them when they are contractually due.
Institution	<p>An institution is defined in Article 1 of the Capital Requirements Directive (CRD) as a credit institution or investment firm.</p> <p>A credit institution is defined in Article 4 of the Capital Requirements Regulation (CRR) as an undertaking whose business is to take deposits or</p>

Glossary and Abbreviations

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 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. 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 retail 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.

Loan to Value (LTV)

A ratio which expresses the amount of a mortgage as a percentage of the value of the property on which the mortgage is secured. 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 (HPI)).

Loans Past Due

Loans past due occur when a borrower has failed to make a payment when it is contractually due.

Glossary and Abbreviations

London Clearing House (LCH)	An independent rates and multi-asset clearing house. LCH are a central counterparty which facilitates the exchange of multiple types of transactions.
Loss Given Default (LGD)	A parameter used in relation to credit risk exposures modelled under the IRB approach; an estimate of the difference between the EAD and the net amount recovered, expressed as a percentage of the EAD.
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.
Maturity	The remaining time the borrower is permitted to take to fully discharge their contractual obligation (principal, interest and fees) under the terms of a loan agreement.
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.
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.
Potential future credit exposure (PFCE)	A measure defined as the maximum expected credit exposure over a specified period of time calculated at some level of confidence.

Glossary and Abbreviations

Probability of default (PD)	A measure of how likely a customer is to reach default over a defined period of time.
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.
Repurchase agreement (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 reverse repo.
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	<p>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.</p> <p>The Society has established securitisation structures (using residential mortgages as assets) as part of its funding activities.</p>
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.

Glossary and Abbreviations

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.

Appendices

Appendix A: Tables not Presented

Annex	Reference	Name	Reason for omission
XVI	UK CR2	Changes in the stock of non-performing loans and advances	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XVI	UK CR2A	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XVI	UK CQ2	Quality of forbearance	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XVI	UK CQ4	Quality of non-performing exposures by geography	Non-domestic exposures are below the 10% threshold (i.e. non-domestic exposures divided by total exposures) for disclosure.
XVI	UK CQ5	Credit quality of loans and advances to non-financial corporations by industry	As individual commercial loans could potentially be identified from this disclosure, for confidentiality reasons, in line with CRR article 432, table CQ5 has not been presented.
XVI	UK CQ6	Collateral valuation - loans and advances	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XVI	UK CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XXII	UK CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	The Society does not use credit derivatives to mitigate credit risk.
XXII	UK CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	The Society does not use credit risk mitigation techniques under the IRB approach.
XXIV	UK CR10	Specialised lending and equity exposures under the simple risk weighted approach	The Society does not employ slotting for any specialised lending exposures.
XXVI	UK CCR4	IRB approach – CCR exposures by exposure class and PD scale	The Society does not use IRB for counterparty credit risk exposures.
XXVI	UK CCR6	Credit derivatives exposures	The Society does not use credit derivatives to mitigate credit risk.
XXVI	UK CCR7	RWEA flow statements of CCR exposures under the IMM	The Society does not use the Internal Model Method for CCR exposures.
XXVIII	UK SEC2	Securitisation exposures in the trading book	The Society does not have a trading book.
XXVIII	UK SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	The Society has securitised mortgage loans through Albion No.5 plc and Albion No.6 plc. There are no capital requirements for these securitisation exposures due to no significant risk transfer.
XXX	UK MR1	Market risk under the standardised approach	The 2% threshold set out in the UK CRR has not been met.
XXX	UK MR2A	Market risk under the internal Model Approach (IMA)	The Society does not use the Internal Model Approach for market risk.
XXX	UK MR2B	RWA flow statements of market risk exposures under the IMA	The Society does not use the Internal Model Approach for market risk.
XXX	UK MR3	IMA values for trading portfolios	The Society does not use the Internal Model Approach for market risk.
XXX	UK MR4	Comparison of VaR estimates with gains/losses	The Society does not use the Internal Model Approach for market risk.