Interim Report & Accounts 2024

Leeds Building Society

2024: Our performance so far

Gross residential lending

£2.6bn

(H1 2023: £1.9bn)

We helped **17,500** more people have the home they want including **7,800** first time buyers

Total assets

£30.0bn

(Dec 2023: £28.1bn)

Savings balances

£22.4bn

(Dec 2023: £20.8bn)

We helped 47,500 more people save for their future

Average savings rate

3.73%

compared to the rest of the market average of 3.07%[1]

An annual benefit to all our savers of **£135.0m**

Underlying profit before tax[2]

£86.4m

(H1 2023: £116.2m)

Common Equity Tier 1 Capital

25.7%

(Dec 2023: 28.2%)

Reserves available to protect us from future problems

Customer satisfaction[3]

93%

(2023: 94%)

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

Colleague engagement[4]

8.4 out of 10

(2023: 8.3)

We're committed to being a great place to work

1. CACI's CSDB, Stock, June 2023 to May 2024, latest data available. CACI is an independent company that provides financial benchmarking data for the retail cash savings market. **2.** Underlying profit before tax excludes exceptional items. **3.** Overall customer satisfaction in a survey of 1,761 members from January to June 2024. **4.** Your Voice colleague survey, 1,644 respondents (92% response rate) in June 2024.

Chief Executive Officer's Review

I'm delighted to report on the Society's record-breaking performance in the first half of 2024, and I am extremely grateful to all of our colleagues, members and partners who contributed to the success of the business over the past six months.

So far this year we have already broken records for mortgage lending, savings balances and total assets. We achieved our busiest single day of mortgage completions, contributing to a 37% increase in total lending to a record £2.6 billion (H1 2023: £1.9 billion).

We have increased the number of first-time buyers that we have helped get onto the housing ladder by 7,800 (H1 2023: 7,700) and demonstrated our commitment to putting home ownership within reach of more people, generation after generation.

Our savers benefitted from us paying 0.66%[5] above the market average on savings rates, generating the equivalent of £135m in benefit for members. We attracted 47,500 new savings members, pushing our overall membership to a record 945,300 (Dec 2023: 919,000). The Society's savings balances have reached a record £22.4 billion and total assets are up 6.8% to an all-time high of £30.0 billion (Dec 2023: £28.1 billion).

We achieved an underlying profit of £86.4 million, a significant increase compared to the second half of last year and reinforcing our ability to focus on our future (H2 2023: £65.3 million). As we progressed through the first half of 2024, our net interest margin has stabilised at 1.18% (H2 2023: 1.18%) and we consider the outlook for the second half of 2024 to remain positive. The impact of two exceptional one-off items, as described below and in the Financial and Business Review on page 8, has however contributed to a reduction in statutory profit before tax to £50.5 million (H1 2023: £116.2 million, H2 2023: £65.3 million).

In the first half of this year, we made a significant investment to simplify our balance sheet by completing a successful buy-back of Permanent Interest-Bearing Shares (PIBS). This positive outcome was made possible by our longer-term thinking as a mutual organisation. This move has been well received by the market and will reduce ongoing interest payment obligations by £3.3 million in perpetuity to set the Society up for better financial strength and security.

Whilst there has been a significant up-front cost in the buy-back of PIBS that has been expensed fully in 2024, this will be offset by our year-on-year interest saving. Aligned to our mutual ethos and purpose-led strategy, we'll be able to reinvest this saving in delivering our purpose of putting home ownership within reach of more people and even better value for our existing members.

This year we also proved our commitment to standing by our members by establishing a significant voluntary financial support scheme for customers whose trusts were impacted by the collapse of Philips Trust Corporation in 2022.

We were deeply saddened to hear the personal stories of the customers and their families that were impacted by the actions of Philips Trust Corporation and, although we never had a relationship with the business and there is no legal or regulatory requirement to offer financial help, we stand by our mutual principles and have chosen to use our strong financial foundations to voluntarily offer support to our customers, which we hope to be delivered by the end of this year. I am proud of how we have responded to support members during challenging times.

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[5] The Society paid an average of 3.73% to our savers compared to the Rest of Market average of 3.07%, which equates to an annual benefit to our savers of £135m. Source: CACI's CSDB, Stock, June 2023 to May 2024, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

Chief Executive Officer's Review

I am pleased to report that for our existing mortgage members, arrears figures have remained stable at 0.69%[6] (December 2023: 0.68%), a testament to the hard work of our teams to support borrowers facing financial difficulty.

We have maintained capital and reserves well above the regulatory requirement at £1.6 billion (December 2023: £1.6 billion) and retained very strong levels of liquidity. Despite the investments made, our cost to income ratio, excluding the PIBS buy-back, remains among the lowest in the banking and building society sector at 52.4% (H1 2023: 40.4%).

I am delighted to announce that we're bucking the market trend by opening a new high street branch and continuing our investment into our existing national branch network. The customer service provided in our branches remains the jewel in our crown, with customer satisfaction levels of 98%[7]. We're enhancing it further by expanding our network and creating better physical environments for our members and colleagues. We'll open our 51st branch, in Solihull, in the West Midlands, later this year as we further extend our national presence.

In addition to investing in our in-person services, our multi-year IT project continues to progress well. The transformation of our core banking platform will increase functionality, security and resilience, and make our systems simpler and quicker to use for our members, colleagues and intermediary partners.

In the first half of 2024 we have also made significant financial contributions to our charity partners. I am pleased to announce that our total fundraising for Dementia UK has recently exceeded £1.0 million, concluding our four-year partnership by smashing the original £0.5 million target.

And in April we announced a new three-year charity partnership with the UK's largest children's charity Barnardo's, to build brighter futures for care-experienced young people. It is estimated that one in three young people become homeless in the first two years after they leave care[8], and through our fundraising we aim to help care leavers learn independent living skills and access support after leaving care.

Our responsible business strategy guides our decisions in our purpose to put home ownership in reach of more people, and we are proud to have been accredited with the Good Business Charter this year, which recognises and champions responsible business behaviour.

Protecting the planet and preserving the opportunity for future generations to own a home is central to the way we do business, so this year we began work with Keepmoat Homes on their Future Homes project to factor in the reduced monthly outgoings associated with living in a greener home into mortgage affordability calculations. This project will help us to understand the ways we can further support borrowers and protect our planet for future generations.

As we enter the second half of the year under a new government, we will continue to advocate for the changes needed to address the UK housing crisis. Working with our colleagues, members, and partners, we will continue to make the home ownership dream a reality for more people.

I am extremely proud of our results for the first half of 2024 and look forward to what the rest of the year will bring for our customers, colleagues and partners. We've been there for our members for almost 150 years and our financial strength and security means we'll be there to support them for generations to come.

Richard Fearon - Chief Executive Officer

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[6] The proportion of balances greater than 1.5% in arrears has remained stable in the first half of the year at 0.69% (December 2023: 0.68%).
[7] Branch customer satisfaction scores January – June 2024 (sample of 341 customers)
[8] Young people leaving care deserve fair access to accommodation | Barnardo's (barnardos.org.uk)

2024 First Half Key Performance Indicators

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.

We measure our performance against our strategic drivers using a number of key performance indicators (KPIs), including both financial measures, as defined under IFRS (International Financial Reporting Standards), and non-financial measures. Alternative Performance Measures (APMs) used below are in common usage across the financial services industry and are useful in explaining the performance of the business. The APMs are defined on page 249 of the 2023 Annual Report and Accounts.

The KPIs for the first half of 2024 are shown below. The KPIs are the same as those used in the 2023 Annual Report and Accounts and comparative figures are shown for the full year unless otherwise stated.

Home ownership

First time buyers	**7,800** Six months to June 2023: 7,700	We remain committed to helping first time buyers get on to the housing ladder in-line with our purpose. First time buyers represent 44.6% of our new borrowers during the first half of 2024.

More responsive model

Underlying profit before tax[9]	**£86.4 million** Six months to June 2023: £116.2 million	Statutory profit is down on the previous period predominantly as a result of two one-off items. Underlying profit has been maintained at sustainable levels during the first half of 2024 – balancing support for members and ensuring financial resilience generation after generation. Underlying profit before tax has been adjusted for one-off exceptional items being the repurchase of PIBS and also the cost of the voluntary financial support scheme for customers whose trusts were impacted by the collapse of Philips Trust Corporation. Further detail can be found on page 8.
Profit before tax	**£50.5 million** Six months to June 2023: £116.2 million	

[9] Underlying profit before tax excludes exceptional items. See page 9 for reconciliation to profit before tax.

2024 First Half Key Performance Indicators

More responsive model (continued)

Net interest margin APM	**1.18%** Six months to June 2023: 1.34%	Net interest margin has fallen in comparison to the first half of 2023. However, it has stabilised against the second half of 2023 (1.18%) following a period of competitive pressures last year, from higher funding rates and a competitive mortgage market. Despite the challenges, we remain focused on our purpose - continuing to support first-time buyers and other prospective and current members in home ownership.
Common Equity Tier 1 (CET1) ratio	**25.7%** December 2023: 28.2%	Our CET1 ratio has reduced during the six month period to June 2024. The decrease was primarily driven by the repurchase of PIBS and the cost of the voluntary financial support scheme for customers who were impacted by the collapse of Philips Trust Corporation. Despite this reduction, the Society remains in excess of all capital regulatory requirements and well placed to meet any future regulations.
UK leverage ratio	**5.8%** December 2023: 6.0%	Our UK leverage ratio has remained broadly stable and comfortably above internal limits, through careful management of our balance sheet and profitability in a challenging environment. The Society continues to invest surplus capital to further the Society's purpose.
Cost to income ratio[10] APM	**52.4%** Year to December 2023: 47.3%	Increases in costs reflect the investment made in our multi-year technology programme and long-term sustainability, but we maintain a strong focus on efficiency with close control over our costs. Our cost ratios remain among the best in our sector. If transformational costs are excluded, the cost to income ratio is 47.3% and the cost to mean asset ratio is 0.58%. To calculate our cost to income ratio we have removed the impact of the PIBS buy-back as this is considered to be an exceptional item in 2024, more details can be found on page 8. We continue to maintain tight control over our costs – balancing cost efficiency with the desire to increase member value through more resilient systems and improved service.
Cost to mean asset ratio APM	**0.64%** Year to December 2023: 0.63%	
Cost of risk APM	**(0.01%)** Year to December 2023: 0.02%	This APM is a measure of the level of impairment (release)/ charge relative to the size of our mortgage assets. The cost of risk remains low and within tolerance.

[10] For the purpose of this ratio, the PIBS buy-back has been excluded.

2024 First Half Key Performance Indicators

More responsive model (continued)

Colleague engagement score[11]	**8.4** Year to December 2023: 8.3	We are proud that we continue to have a highly engaged colleague workforce, as this remains integral to ensuring we deliver our purpose. This score places us in the top 25% for the UK financial services sector benchmark.

Close-the-gap innovation

New (gross) residential lending APM	**£2.6 billion** Six months to June 2023: £1.9 billion	During this period, we have had our highest ever day of completions. Our purpose-focused product proposition has allowed us to support 17,500 new members in their home ownership aspirations and deliver our strong levels of gross lending.
Net residential lending APM	**£1.2 billion** Six months to June 2023: £0.4 billion	Our strong levels of new lending and competitive product transfer offering to existing customers coming to the end of their initial product term have driven a significant increase in net lending.
Number of days from mortgage application to offer	**12 days** Year to December 2023: 11 days	Our ongoing investment in technology has enabled us to maintain efficient average times from mortgage application to offer and to best serve our members. We continue to turnaround applications quickly, despite record lending.
Broker Net Promoter Score	**55** Year to December 2023: 62	Our broker Net Promoter Score remains high as we continue to focus on the broker experience and a streamlined process for issuing offers. This remains a priority and is one of the key areas we anticipate will improve as we continue our technology investment.

Step-up savings

Savings balances	**£22.4 billion** December 2023: £20.8 billion	We have continued to power our purpose through strong savings inflows during the first half of 2024, maintaining competitive rates and strong customer service.
Savings rate benefit	**Annual benefit of £135.0 million[12]** Year to December 2023: £110.0 million	We consistently pay above average market rates to our savers, paying an average of 3.73% compared to the rest of market average of 3.07%.
Customer satisfaction[13]	**93%** Year to December 2023: 94%	During 2024 we have consistently delivered high service levels to our members and this is reflected in our customer satisfaction score.

[11] Your Voice colleague survey, 1,644 respondents (92% response rate) in June 2024.
[12] CACI's CSDB, Stock, June 2023 to May 2024, latest data available
[13] Overall customer satisfaction in a survey of 1,761 members from January to June 2024.

Financial and Business Review
for the six months ended 30 June 2024

The evolving economic environment in the UK has remained challenging for our members and the Society throughout the first half of 2024. Over this uncertain period we have continued to serve our members, furthering our purpose of putting home ownership within reach of more people, generation after generation, and maintaining a sustainable and secure Society.

The buoyant mortgage market has resulted in some of our highest days for applications and highest ever number of completions in this first half of the year. We have continued to support first-time buyers in line with our purpose, helping 7,800 (six months to June 2023: 7,700) first-time buyers get onto the housing ladder in these six months alone. The Society maintains a strong capital base, a sustainable level of profitability and a robust funding position. In turn, this has enabled us to continue to balance the interests of our savings and mortgage members throughout this period. The Society has continued to provide all the support we can to borrowers who experience financial difficulty, in line with our mutual values.

Investment in our multi-year technology transformation programme continues to progress at pace and we announced our partnership with Mambu, which will lead to increased functionality, security and resilience of our systems, as well as an improved experience for our members, colleagues and intermediary partners. We remain focused on cost efficiency, and our cost to income ratio remains among the lowest in the financial services sector, at 52.4% when adjusted for the PIBS buy-back.

Financial performance

Profit before tax for the first six months of 2024 was £50.5 million which includes two exceptional items totalling £35.9 million (no exceptional items in previous periods). Excluding exceptionals[14], underlying profit before tax remained strong at £86.4 million (six months to June 2023: £116.2 million) and was above H2 2023 (£65.3 million).

The first exceptional item is the Society's repurchase of its PIBS, which resulted in a one-off cost of £23.4 million but will save £3.3 million in interest payments per year into perpetuity. Due to the Society's strong capital position, the opportunity was taken in April to simplify our balance sheet by buying the PIBS back at a fair price, which will allow the savings in interest payable to be reinvested in delivering our purpose for the benefit of current and future members.

The second exceptional item in the period is the recognition of a £12.5 million provision in respect of the voluntary financial support we have agreed to offer impacted customers in relation to the actions of Philips Trust Corporation. Several years ago the Society introduced some members to The Will Writing Company to help them with later life planning. The Will Writing Company fell into administration in 2018 and the management of some of the trusts was taken over by Philips Trust Corporation, who subsequently moved some of the trust assets into higher risk investment funds. Philips Trust Corporation went into administration in 2022 and, recently, it has sadly emerged that some of the funds they chose to invest in are now in default.

Whilst the Society has no legal or regulatory requirement to offer financial help, we are standing by our purpose-led, mutual principles and using our financial strength to voluntarily offer support to impacted members. As such we have set aside a provision to cover the estimated costs of the voluntary support for members adversely financially impacted by the actions of Philips Trust Corporation, as well as associated administrative and legal costs.

[14] See page 9 for relevant calculations.

The Income Statement for the six months to 30 June 2024 is summarised below:

	Six months to June 2024 £M	Six months to June 2023 £M	Year to December 2023 £M
Net interest income	170.9	173.4	337.6
Fees and commissions	2.1	2.3	4.4
Other (expenses) / income	(23.1)	0.2	22.2
Fair value gains / (losses)	4.6	21.3	(6.7)
Total income	154.5	197.2	357.5
Management expenses	(93.3)	(79.7)	(169.0)
Impairment release / (charge) on loans and advances to customers	1.8	(1.3)	(6.1)
Other impairments and provisions	(12.5)	-	(0.9)
Profit before tax	**50.5**	**116.2**	**181.5**

Underlying profit before tax for the period was £86.4 million as shown below:

	Six months to June 2024 £M
Profit before tax	50.5
Add back exceptional items:	
PIBS repurchase[15]	23.4
Philips Trust Corporation – voluntary financial support[16]	12.5
Underlying profit before tax	**86.4**

Net interest income

	Six months to June 2024 £M	Six months to June 2023 £M	Year to December 2023 £M
Net interest income	170.9	173.4	337.6
Mean total assets	29,069.8	26,182.7	26,829.9
	%	%	%
Net interest margin APM	**1.18**	**1.34**	**1.26**

We have continued to offer attractive mortgage products to our members, which is putting downward pressure on lending margins. We continue to balance support for members and our sustainability over a multi-year horizon, supporting our purpose of putting home ownership within reach of more people, generation after generation. Funding costs were high in the second half of 2023 as rates spiked and, when compounded by increasing competition in the mortgage market, this resulted in net interest margin reducing over the course of the year. However, pleasingly, as we progressed through the first half of 2024, our net interest margin has stabilised at 1.18% (December 2023: 1.26%; H2 2023: 1.18%) at the same time as maintaining strong levels of lending.

[15] Included in the Other operating income / (expense) line in the Condensed Consolidated Income Statement.

[16] Included in the Provisions charge line in the Condensed Consolidated Income Statement.

The average rate we paid across all our savings accounts was 3.73% over the 12 months to May 2024, compared to the rest of the market average rate of 3.07%[17]. As well as attracting new members and deposits to the Society, we have also seen existing members benefit from the higher minimum savings rate and increased rates on fixed products where they have opted to transfer. The minimum rate we pay across all our variable rate accounts is 2.45% (December 2023: 2.45%).

Fair value gains and losses

We hold certain financial assets and liabilities at their current fair value, defined as the value an independent third party would be willing to pay or receive, and the movement in this fair value is recognised in profit or loss. Changes in fair value are primarily due to movements in market rates.

During the six months to June 2024, changes in market interest rates have resulted in fair value gains of £4.6 million (six months to June 2023: £21.3 million gain). These gains have largely been recorded on swaps transacted to manage the interest rate risk associated with the collateral loan which represents a pool of equity release mortgages. Gains were also recognised on interest rate swaps associated with fixed rate mortgage and savings products.

Management expenses

	Six months to June 2024 £M	Six months to June 2023 £M	Year to December 2023 £M
Colleague costs	51.6	50.1	102.9
Other administrative expenses	27.4	25.2	53.1
Depreciation and amortisation	5.1	4.4	9.1
Ongoing management expenses	**84.1**	**79.7**	**165.1**
IT transformation spend	9.2	-	3.9
Total management expenses	**93.3**	**79.7**	**169.0**
	%	%	%
Cost to income ratio[18] APMDO	52.4	40.4	47.3
Cost to mean asset ratio APM	0.64	0.61	0.63

We continue to focus on operating the Society efficiently to support our purpose. We are reinvesting our financial success for the long term benefit of the Society including investment in a multi-year transformational change programme. We have selected the provider of our new core banking platform and we strive to modernise and improve the experience for our members and colleagues. We have also continued to invest in the functionality and resilience of our technology platforms, to best serve our members and deliver our purpose, whilst progressing on delivery of our longer term technology transformation.

Alongside this investment in change and technology, we continue to strengthen key areas of the business so that we can deliver the service that our members and partners value. The average number of colleagues (full time equivalent) employed by the Society in 2024 is 1,707 (six months to June 2023: 1,665). Our employees are instrumental in delivering our purpose; the average salary increase awarded to colleagues in this period was 5%.

[17] CACI's CSDB, Stock, June 2023 to May 2024, latest data available.

[18] For the purpose of this ratio, exceptional items have been excluded.

As a result of these investments, management expenses have increased by 17.1% compared to the same period last year and have increased by 4.5% compared to the second half of 2023, with the majority of this increase linked to investment spend to further our purpose and serve members. We continue to carefully manage our costs in line with internal targets and are continuously looking to identify appropriate efficiencies whilst at the same time investing thoughtfully for the long term future of the Society.

Impairment charge

	Six months to June 2024 £M	Six months to June 2023 £M	Year to December 2023 £M
Residential loans	(1.6)	1.3	6.3
Commercial loans	(0.2)	-	(0.2)
Total impairment (release) / charge on loans and advances to customers	**(1.8)**	**1.3**	**6.1**
Other impairments and provisions[19]	12.5	-	0.9
Total impairments and provisions	**10.7**	**1.3**	**7.0**

We make provisions for expected credit losses across all loans, based on the probability of each loan defaulting and resulting in a loss, while taking into account a range of assumptions about future economic scenarios and an assessment of whether the credit risk of the loan has increased.

Despite the challenges of the cost of living crisis and the increase in mortgage payments as customers move from existing maturing fixed deals, the proportion of balances greater than 1.5% in arrears has remained stable in the first half of the year at 0.69% (December 2023: 0.68%).

Although the economy has shown signs of improvement in 2024, there is still downside risk due to market volatility and uncertainty in the external environment. Our updated macroeconomic scenarios for impairment provisioning forecast that the Bank of England base rate will be retained at its high levels for a longer period but anticipate that GDP starts to strengthen as the rate of inflation reduces. This also has a positive impact on the levels of unemployment as more people are drawn back into the labour market.

The uncertain economic environment is also reflected in the alternative modelled scenarios, overlays and post model adjustments. In particular, affordability concerns remain due to the risk associated with higher mortgage rates and the effect of these on members who are coming to the end of their current fixed term. The key judgements and estimates involved in the calculation of impairment loss provisions, including the use of post model adjustments, are set out in note 2 on pages 27 to 34.

A residential impairment release of £1.6 million was recorded in the first half of 2024 (six months to June 2023: £1.3 million charge). The release for the period was primarily driven by an update of post model adjustments as affordability concerns have not crystalised to the extent expected. Total balance sheet impairment loss provisions against residential mortgages at 30 June 2024 are £50.1 million (December 2023: £53.5 million).

[19] Includes the provision for voluntary financial support in relation to Philips Trust Corporation.

Financial Position

Our strong lending and savings growth during the first half of 2024 is reflected in overall balance sheet growth of 6.8% from £28.1 billion at December 2023 to £30.0 billion at present.

Loans and advances to customers

	30 June 2024 £M	30 June 2023 £M	31 December 2023 £M
Residential loans	23,000.9	20,734.9	21,836.4
Commercial loans	5.3	8.3	6.1
Other loans	147.6	156.7	153.6
Impairment provision	(51.3)	(53.0)	(54.9)
Loans and advances to customers	**23,102.5**	**20,846.9**	**21,941.2**

	%	%	%
Proportion of mortgages in arrears[20]	0.69	0.63	0.68
Balance-weighted average indexed loan to value (LTV) of mortgage book	54.3	49.9	51.2
Balance-weighted average LTV of new lending	68.6	60.9	62.3

The Society's purpose focuses on enabling home ownership, with a particular emphasis on first time buyers and affordable home ownership products such as shared ownership. The composition of our mortgage book as a whole reflects our segmental lending strategy of recent years, with buy to let and shared ownership making up significant proportions of the book alongside mainstream owner-occupied.

Gross new lending during the six-month period was £2.6 billion (six months to June 2023: £1.9 billion). The volume of new lending has increased due to our wide range of attractive mortgage products, extending home ownership to new first-time buyers and remortgaging members alike.

Net lending was £1.2 billion (six months to June 2023: £0.4 billion). We support members by offering product transfers to any customer whose fixed rate deal has ended and who is up to date on their mortgage repayments. We were also one of the first lenders to sign up to the Mortgage Charter in 2023, demonstrating our commitment to supporting members in financial difficulty to remain in their homes. The Mortgage Charter provides customers who are approaching the end of a fixed rate deal the opportunity to lock into a new deal up to six months ahead of maturity.

The average LTV of new lending in 2024 was 68.6% (year to December 2023: 62.3%), reflecting our focus on purposeful lending, and our overall book loan to value is currently 54.3% (December 2023: 51.2%).

Liquid assets

	30 June 2024 £M	30 June 2023 £M	31 December 2023 £M
Liquid assets	6,235.5	5,372.5	5,559.3

	%	%	%
Liquidity Coverage Ratio	184	217	227
Liquid assets as a percentage of shares and borrowings	22.8	22.6	21.8

[20] Arrears of more than 1.5% of the balance or in possession

The level of liquid assets, which includes cash reserves with the Bank of England, as well as investments in other assets, varies throughout the year depending on the level of funding receipts compared to mortgage completions and other obligations. The level of liquidity required is closely monitored and considers forecasted and stressed outflows on a dynamic basis. During the first half of 2024, our savings performance has meant that we have maintained good levels of liquidity, ending the half year strong, which provides protection and flexibility in this uncertain economic environment.

At 30 June 2024, liquidity included £5.9 billion of High Quality Liquid Assets (December 2023: £5.0 billion), which are either in cash or are readily realisable as cash when required. 100% of assets are rated A or above (December 2023: 100%). We also have access to additional contingent liquidity through the Bank of England's Sterling Monetary Framework.

Funding

	30 June 2024 £M	30 June 2023 £M	31 December 2023 £M
Shares (retail savings)	22,380.2	19,121.5	20,793.0
Wholesale funding	5,014.7	4,673.6	4,747.8
Total funding	**27,394.9**	**23,795.1**	**25,540.8**

	%	%	%
Wholesale funding as a proportion of total	18.3	19.6	18.6

Shares (retail savings)

Our savings members play a key role in allowing us to achieve our purpose of helping more people into home ownership and we remain dedicated to providing them with a secure place for their money. During the financial year to date our total savings balances have grown by £1.6 billion to a record £22.4 billion. Our growth has been particularly driven by our popular ISA products which have had competitive rates during the year to date, and our improved mobile-friendly experience allows an easier approach for our members to apply for and manage their savings products.

Wholesale funding

Total wholesale funding at 30 June 2024 was £5.0 billion (December 2023: £4.7 billion). During the year to date we have raised £850 million of external wholesale funding through a successful Covered Bond issuance and also our Albion No.6 residential mortgage backed securities (RMBS) issuance. The deals were very well received by the market and were competitively priced in comparison to similar deals.

A proportion of the funds raised through these wholesale debt issuances has been used to repay £610 million of TFSME[21] funding during the financial year to date.

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

	Long term senior unsecured	**Short term deposits**	**Outlook**
Moody's	A3	P-2	Stable
Fitch	A	F1	Stable

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

Capital

Capital resources	30 June 2024 £M	30 June 2023 £M	31 December 2023 £M
Total equity attributable to members (excl cash flow hedge reserve)	1,602.5	1,513.0	1,569.1
Less pension surplus, intangible assets and other regulatory adjustments	(63.1)	(52.9)	(60.2)
Common Equity Tier 1 (CET1) capital	1,539.4	1,460.1	1,508.9
Additional Tier 1 capital	-	-	-
Total Tier 1 capital	1,539.4	1,460.1	1,508.9
Tier 2 capital	11.2	235.2	42.9
Total regulatory capital resources	**1,550.6**	**1,695.3**	**1,551.8**
Senior non preferred notes	**350.3**	**350.0**	**350.0**
Total MREL resources	**1,900.9**	**2,045.3**	**1,901.8**
Risk-weighted assets (RWAs)	**5,991.3**	**5,172.9**	**5,355.1**
CRD Capital Ratios	**%**	**%**	**%**
MREL ratio	31.7	39.5	35.5
Total capital ratio	25.9	32.8	29.0
CET1 ratio	25.7	28.2	28.2
UK leverage ratio *	5.8	6.2	6.0

* The UK regime is not currently legally binding as the Society operates below the applicable threshold set by the regulator (>£50bn), as reconfirmed by the PRA in June 2021.

Our capital resources have reduced by £1.2 million in the six months to June 2024 with an increase in risk-weighted assets of £636.2 million. During the six months to 30 June 2024 the Society performed a liability management exercise to buy back its legacy Tier 2 eligible PIBS, which reduced capital by £47.5m but will deliver interest savings going forward as part of a more efficient capital model. An exceptional provision related to the Philips Trust voluntary financial support also partly offset the increase in capital resources during the period. Further refinement of Internal Ratings-Based (IRB) models, alongside industry peers, occurred and this, coupled with purposeful lending, drove the increase in risk-weighted assets.

The Society remains well in excess of all capital regulatory requirements and well placed to meet any future regulations.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

Due to the Society having a balance sheet above £15 billion, the Bank of England has stated a preferred resolution strategy for us as bail-in, requiring us to hold both recovery and resolution MREL requirements. End state MREL requirements are two times minimum regulatory requirements plus any regulatory buffers, active from 21 July 2023. The Society has capital resources considerably in excess of MREL requirements and continues to forecast significant headroom moving forward.

New and emerging regulation

Post model adjustments relating to changes in IRB capital requirements have resulted in increased risk weights and 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 the next 12 months. The Society is expected to retain significant headroom over risk appetite following the finalisation of these regulatory changes.

We are well prepared to meet the requirements of the Basel 3.1 standards, which are expected to come into force on 1 July 2025. As an IRB lender, the predominant impact on the Society will arise from the new capital floor, to be phased in from July 2025 until January 2030.

Responsible Business

Climate impact

We continue to take positive action to deliver against our climate ambitions and near-term science-based targets, which cover our full value-chain across scope 1, 2 and 3 emissions. During the first half of the year, we have commenced the next phase of our property refurbishment programme, which will enhance the energy efficiency of our branch estate and help us to reach net-zero for our scope 1 and 2 emissions by 2030. The programme includes removal of gas from all of our sites, replacing heating and lighting systems, and trialling the use of solar energy and other low-carbon innovations. We are also supporting our colleagues to make greener choices with the roll out of a new salary sacrifice scheme for electric vehicles, and options for installing solar panels in their homes.

Tackling our scope 3 emissions remains an important priority but continues to be a big challenge given the many barriers to progress and lack of direct control that we have. We continue to engage with our suppliers to reduce emissions from the goods and services that we buy and look for opportunities to support our members decarbonise the homes that we finance, but faster and more meaningful change across society, industry and government policy will be required if we are to meet our scope 3 near-term targets and ambitions.

Sustainable communities

We pledged to award £3 million to communities by the end of 2025 and are delighted to have reached this milestone 18 months earlier than planned. We continue to support charities that align with our purpose, and this year to date we have awarded £512,000 to charities and communities, with 53% of our planned donations for the year distributed to good causes.

Our four-year partnership with Dementia UK ended in March, seeing us raise over £1 million for the charity and bringing vital dementia support Closer to Home for families living with dementia, through virtual and in-branch clinics with specialist Admiral Nurses. Thanks to the support of members and colleagues, we doubled our original £500,000 target and will continue to fund an additional Admiral Nurse for a further three years to add capacity to the charity’s helpline. We were delighted that our Closer to Home project with Dementia UK was a finalist in the Third Sector Business Charity Awards in the Banks and Financial Services category.

We launched our new charity partnership with Barnardo’s at our Annual General Meeting (AGM) in April. Over the next three years we’re pledging to raise at least £300,000 to support young people leaving the care system. One in three young people become homeless within the first two years of leaving care, but with the right support they can transform their lives. Our new partnership ‘Building Brighter Tomorrows’ directly links to our purpose of putting home ownership within reach of more people, generation after generation.

Earlier this year, we also launched a new financial education partnership with Become, the national charity for care experienced children and young people. We're helping Become to deliver a pre-tenancy programme specifically tailored to care leavers to help them maintain successful tenancies, including understanding their rights and responsibilities, managing a budget, staying safe and much more.

In May we hosted a networking event at our Leeds head office, attended by 20 charities who have received funding from the Society or LBS Foundation. This helped us to maximise our support for charity partners by encouraging collaboration between the charities we work with and identifying opportunities for colleague volunteering and in-kind support alongside our funding.

"It is rare that you get such a golden egg as it were when it comes to grant makers and funders – we are so appreciative of our LBS funding but equally the full package that comes from being involved with you." Lisa Rachieru, RUSH House.

This year to date, our charitable foundation has awarded £183,228 to registered charities that support people in need of a safe and secure home. This includes £165,020 in large grants to nine charities such as the homelessness charity, Cornerstone in Hartlepool, where support from the LBS Foundation has allowed them to double their emergency bed space for rough sleepers. Small grants of £1,000 or less have also been awarded to 19 charities across the UK so far this year, totalling £18,208. Carla Marshall has taken over as Chair of the LBS Foundation after six years on the board as a Trustee.

We continue to support environmental charities as part of our commitment to a greener, net zero society by 2050, with 23 colleagues volunteering 160 hours to take part in tree planting and maintenance days with the Yorkshire Dales Millennium Trust and 64 colleagues volunteering over 300 hours with the Canal & River Trust this year to date.

Our colleagues receive 14 paid volunteering hours each year, which we reward with a £10 per hour donation to charities of their choice. So far this year, over 350 colleagues have pledged to volunteer over 2,600 hours. Colleagues are encouraged to share their skills and expertise. For example our Talent Acquisition team are delivering CV writing and interview workshops to refugees and asylum seekers with the right to work in the UK, with local charity Leeds Asylum Seekers Support Network.

Members raised an amazing £17,273 for charity by casting votes as part of our AGM in April. The Society donated 25p for every vote returned, with members able to choose to give to either Dementia UK or Leeds Building Society Foundation.

Risk Management Report
for the six months ended 30 June 2024

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

Enterprise Risk Management Framework

To ensure that risks are appropriately managed across the organisation, the Society operates a Board approved Enterprise Risk Management Framework (ERMF), which sets out a structured approach to identifying, assessing, controlling and monitoring risks.

Further information on the Society's ERMF and its key components can be found on pages 85 to 88 within the Society's 2023 Annual Report and Accounts (ARA).

Risk profile

The risks that the Society is exposed to fall into two separate categories (principal and emerging risks):

Principal risks

The Society has identified eight principal risks, which are inherent within its strategy and have the potential to significantly impact performance or viability. These principal risk categories are outlined below and remain consistent with those disclosed within the 2023 Annual Report and Accounts.

Principal risk	Risk description
Strategic/ business risk	The risk that the Society fails to formulate or execute an appropriate strategy and business model in response to the external environment, threatening our longer-term viability or inhibiting delivery of our purpose.
Credit risk	The risk that residential borrowers or wholesale counterparties fail to meet their current or future financial obligations.
Funding and liquidity risk	Funding risk is the inability to generate sufficient stable funding, or only do so at excessive cost. Liquidity risk is the risk that the Society is unable to meet its financial obligations as they fall due.
Market risk	The risk that movements in interest rates and foreign currency adversely impact our capital and earnings.
Capital risk	The risk that the Society has insufficient quality or quantity of capital resources to meet current or future business requirements.
Model risk	The risk of adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions
Operational risk	The risk of financial or reputational loss, as a result of inadequate or failed processes, people, systems or external events.
Conduct risk	The risk that actual or potential customer detriment arises, or may arise, from the way the Society conducts its business.

Further detail on the Society's principal risks and how they are managed is available in the 2023 Annual Report and Accounts.

Emerging risks

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

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

The most significant emerging risks are described below, together with key developments and a summary of actions the Society is taking to manage the risk.

Economic risks	
Overview	**Mitigating actions**
• During the six months to 30 June 2024, the recovery in the UK economy has gained momentum. Notwithstanding this the outlook remains finely balanced, with interest rates remaining elevated to address ongoing inflationary concerns. As a consequence, member household finances continue to remain under pressure as many transition from their current (lower) fixed rate mortgage products onto a higher pay rate. • Against this uncertainty, activity within the UK housing market and house prices have remained broadly flat in the first half of the year. This trend is expected to continue in the near term as buyers continue to face affordability constraints and wait to understand the implications of a general election, with the longer term outlook dependent on the performance of the wider economy.	• Macroeconomic risks are regularly assessed under both central and stressed conditions to understand and manage the impact on the business model e.g. tightening of lending appetite (volume, risk premia and mix). • Horizon scanning and close monitoring of key economic data and forecasts is performed to support timely management response. • Robust levels of capital and liquidity are maintained to absorb periods of economic volatility, supported by frequent stress testing and sensitivity analysis to understand the impacts on the Society's balance sheet. • The Society closely monitors the performance of the Society's lending portfolios and the appropriateness of its credit policies, criteria, and affordability assessments against prevailing conditions. • Pre-delinquency strategies have been deployed to proactively engage members who may find themselves struggling financially.

Political/geopolitical risks	
Overview	**Mitigating actions**
• Following the UK election in July there are significant headwinds for the newly formed Government to address, which could impact the Society's business model, including future policies around economic growth, housing, employment rights and climate change. • Geopolitical risks remain heightened with the ongoing conflicts in Eastern Europe and the Middle East. These have the potential to impact the macroeconomic environment as well as the Society's operational resilience e.g. disruptions to supply chains and an increased threat of sophisticated / state-sponsored cyber-attacks.	• The Society uses horizon scanning and scenario testing to understand potential impacts from both a financial and operational perspective and develop appropriate responses. • All new mortgage lending is restricted to the UK and exposures from our Treasury investments are closely monitored for geopolitical risks in line with our wholesale credit risk appetite. • The Society works with suppliers to understand and manage exposures to geopolitical events.

Political/geopolitical risks (continued)	
Overview	**Mitigating actions**
• In addition, there are a number of significant elections across the globe during H2 24, which have the potential to further disrupt financial markets and the macroeconomic landscape.	• The Society continues to invest in its IT security and operational controls to improve overall resilience and combat evolving cyber security threats.

Competition risk	
Overview	**Mitigating actions**
• The Society operates in highly competitive markets, increasing the risk of a loss of market share, reduced revenue, and lower profitability. • During the first half of the year, a number of potential mergers and acquisitions have been announced in the sector, which may further increase the risk of future competitive pressures. • Competition risks also relate to changes in regulation, developments in digital technology, new market entrants (predominantly Fintechs) and changes in customer behaviour.	• The competitive landscape is regularly reviewed, and our product proposition updated accordingly. • The Society carefully considers competition risks as part of our strategic / business planning activities, which set the future path for strategic investment and development to ensure that the Society can adapt accordingly. • Further investment is being made in the Society's service and digital capabilities to support our product offering, customer journeys and future scalability and flexibility.

Operational resilience risks	
Overview	**Mitigating actions**
• A significant operational risk event could result in disruption to important business services, leading to customer harm, financial or regulatory impacts, or reputational damage. Such events could include the increasing threat of cyber-attacks, third party failure, loss of data or service outages. • Resilience to such threats and an ability to respond effectively remain essential to protect the Society and maintain the trust of our members and the confidence of regulators. • The Society has several material outsource arrangements in place with third parties to deliver critical services to members. Failure of a key third party provider could create vulnerabilities if not appropriately managed and affect the Society's ability to provide services.	• The Society manages resilience related risks through its Operational Resilience Framework and regularly tests its response to potential resilience events. • Operational resilience processes are in place which aim to ensure that the Society's important business services are able to recover in a timely manner in the event of disruption. • The Society continues to invest in its IT security and operational controls to improve overall resilience and combat these evolving threats. • The Society frequently monitors both the effectiveness of the services it receives, and the risks that the third party service providers pose.

Risk Management Report
for the six months ended 30 June 2024

Change risk	
Overview	**Mitigating actions**
• The Society's change portfolio includes the delivery of a multi-year technology programme, other strategic initiatives and new regulatory requirements. • The volume of change activity could lead to increases in execution, operational and people risks. • Failure to appropriately prioritise and deliver change on time and within agreed budgets may also inhibit the Society's ability to achieve its purpose or strategic objectives. • Innovation in relation to artificial intelligence and the continued development in quantum computing and associated technologies creates new risks and opportunities as they become more prevalent within financial services, as well as malicious actors.	• The Society continues to prioritise, manage and implement change in line with its strategic plans while assessing execution risks and taking appropriate mitigating action. • In addition, the Society continues to invest in its change management processes, capabilities, capacity, and governance to better control the execution risks associated with large scale change. • The Society continues to monitor the development of the use of these new AI technologies and is developing its internal risk and control frameworks to incorporate the associated risks.

Climate change risk	
Overview	**Mitigating actions**
• Climate risk continues to be classified as an emerging risk due to uncertainty surrounding the exact nature and timing of the impact on the Society's strategy and operations. • Both transitional and physical risks could materially affect the Society's eight principal risks, with impacts dependent on the future path of climate change and timescales of government intervention and actions. • Stakeholder expectations continue to rise with regards to the Society's management and response to climate risk, which could present heightened reputational risks.	• The Society has developed a Climate Strategy centered upon supporting the orderly transition to a greener, net zero economy by 2050 or sooner. • As part of this strategy, near-term science-based emission reduction targets have been set for our full value chain. • A Climate Risk Management Framework (CRMF) has been implemented across the organisation, including use of climate risk factors and data in our mortgage lending policy and credit decisioning processes. • Refer to pages 48 to 82 of the 2023 Annual Report and Accounts for further information on how the Society manages the risks from climate change.

Condensed Consolidated Income Statement

	Notes	**Period to 30 Jun 2024 (Unaudited)**	Period to 30 Jun 2023 (Unaudited)	Year ended 31 Dec 2023 (Audited)
		£M	£M	£M
Interest receivable and similar income:				
Accounted for using effective interest rate method*	3	**608.6**	412.0	947.3
Other	3	**164.4**	140.8	316.3
Total interest receivable and similar income		**773.0**	552.8	1,263.6
Interest payable and similar charges	4	**(602.1)**	(379.4)	(926.0)
Net interest receivable		**170.9**	173.4	337.6
Fees and commissions receivable		**2.4**	2.7	5.2
Fees and commissions payable		**(0.3)**	(0.4)	(0.8)
Fair value gains / (losses) from financial instruments	5	**4.6**	21.3	(6.7)
Other operating (expense) / income		**(23.1)**	0.2	22.2
Total income		**154.5**	197.2	357.5
Administrative expenses	6	**(88.2)**	(75.3)	(159.9)
Depreciation and amortisation		**(5.1)**	(4.4)	(9.1)
Impairment release / (charge) on loans and advances to customers	7	**1.8**	(1.3)	(6.1)
Impairment of property, plant, equipment and intangible assets		**-**	-	(0.2)
Provisions charge		**(12.5)**	-	(0.7)
Operating profit and profit before tax		**50.5**	116.2	181.5
Tax expense	8	**(12.3)**	(27.0)	(47.6)
Profit for the period		**38.2**	89.2	133.9

*IAS 1 requires separate presentation in the Income Statement of interest receivable that is calculated using the effective interest method. The comparatives for 30 June 2023 and 31 December 2023 have been taken from the notes to the accounts.

All amounts relate to continuing operations.

The notes on pages 26 to 51 form part of these accounts.

Condensed Consolidated Statement of Comprehensive Income

	Period to 30 Jun 2024 (Unaudited)	Period to 30 Jun 2023 (Unaudited)	Year ended 31 Dec 2023 (Audited)
	£M	£M	£M
Profit for the period	**38.2**	89.2	133.9
Items that may subsequently be reclassified to profit and loss:			
Fair value gains recorded in cash flow hedge reserve	**16.2**	53.8	15.0
Gains previously recorded in cash flow hedge reserve amortised through profit or loss	**(14.7)**	(11.9)	(26.7)
Fair value (losses) / gains on investment securities measured at fair value through other comprehensive income	**(5.2)**	(4.2)	13.4
(Gains) / losses on investment securities measured through other comprehensive income reclassified to profit or loss on disposal	**(0.6)**	0.4	1.4
Tax relating to items that may subsequently be reclassified	**1.3**	(10.7)	0.5
Effect of change in corporation tax rate	**-**	-	0.1
Items that may not subsequently be reclassified to profit and loss:			
Actuarial loss on retirement benefit surplus	**(0.8)**	(0.8)	(0.9)
Tax relating to items that may not be reclassified	**0.2**	1.8	-
Effect of change in corporation tax rate	**-**	-	(0.1)
Total comprehensive income for the period	**34.6**	117.6	136.6

Condensed Consolidated Statement of Financial Position

	Notes	30 Jun 2024 (Unaudited) £M	30 Jun 2023 (Unaudited) £M	31 Dec 2023 (Audited) £M
Assets				
Liquid assets				
Cash in hand and balances with the Bank of England		**3,649.6**	2,738.8	2,830.0
Loans and advances to credit institutions		**181.9**	285.0	213.7
Investment securities		**2,404.0**	2,348.7	2,515.6
Derivative financial instruments		**445.1**	933.9	443.6
Loans and advances to customers				
Loans fully secured on residential property	9	**22,950.8**	20,686.0	21,782.9
Other loans	9	**151.7**	160.9	158.3
Fair value adjustment for hedged risk on loans and advances to customers		**(234.5)**	(707.4)	(132.3)
Other assets, prepayments and accrued income	10	**332.6**	312.1	224.1
Current tax assets		**14.7**	-	9.8
Deferred tax assets		**-**	0.3	3.0
Intangible assets		**31.9**	24.6	29.8
Property, plant and equipment		**63.7**	65.7	64.5
Retirement benefit surplus	11	**2.1**	2.9	2.9
Total assets		**29,993.6**	26,851.5	28,145.9
Liabilities				
Shares		**22,380.2**	19,121.5	20,793.0
Fair value adjustment for hedged risk on shares		**1.2**	(131.5)	31.9
Derivative financial instruments		**144.4**	334.5	233.0
Amounts owed to credit institutions		**1,288.4**	2,083.6	1,869.3
Amounts owed to other customers		**137.8**	186.0	169.9
Debt securities in issue		**3,588.5**	2,404.0	2,708.6
Other liabilities and accruals		**392.9**	690.8	300.2
Deferred tax liabilities		**34.1**	42.1	38.4
Provisions for liabilities and charges	12	**13.8**	0.5	1.3
Subordinated liabilities		**326.3**	303.7	323.9
Subscribed capital		**8.0**	191.9	33.0
Total liabilities		**28,315.6**	25,227.1	26,502.5
General reserve		**1,586.2**	1,505.6	1,548.5
Cash flow hedge reserve		**75.4**	111.4	74.3
Fair value reserve		**0.5**	(8.7)	4.7
Revaluation reserve		**1.6**	1.8	1.6
Other reserve		**14.3**	14.3	14.3
Total liabilities and equity		**29,993.6**	26,851.5	28,145.9

Condensed Consolidated Statement of Changes in Members' Interest

Period to 30 June 2024	General reserve £M	Cash flow hedge reserve £M	Fair value reserve £M	Revaluation reserve £M	Other reserve £M	Total equity attributable to members £M
At 1 January 2024 (Audited)	1,548.5	74.3	4.7	1.6	14.3	1,643.4
Comprehensive income / (expense) for the period	37.7	1.1	(4.2)	-	-	34.6
At 30 June 2024 (Unaudited)	**1,586.2**	**75.4**	**0.5**	**1.6**	**14.3**	**1,678.0**

Period to 30 June 2023	General reserve £M	Cash flow hedge reserve £M	Fair value reserve £M	Revaluation reserve £M	Other reserve £M	Total equity attributable to members £M
At 1 January 2023 (Audited)	1,415.3	81.3	(5.9)	1.8	14.3	1,506.8
Comprehensive income / (expense) for the period	90.3	30.1	(2.8)	-	-	117.6
At 30 June 2023 (Unaudited)	1,505.6	111.4	(8.7)	1.8	14.3	1,624.4

Year ended 31 December 2023	General reserve £M	Cash flow hedge reserve £M	Fair value reserve £M	Revaluation reserve £M	Other reserve £M	Total equity attributable to members £M
At 1 January 2023 (Audited)	1,415.3	81.3	(5.9)	1.8	14.3	1,506.8
Comprehensive income / (expense) for the year	133.2	(7.0)	10.6	(0.2)	-	136.6
At 31 December 2023 (Audited)	1,548.5	74.3	4.7	1.6	14.3	1,643.4

Condensed Consolidated Statement of Cash Flows

	Period to 30 Jun 2024 (Unaudited) £M	Period to 30 Jun 2023 (Unaudited) £M	Year ended 31 Dec 2023 (Audited) £M
Profit before tax	**50.5**	116.2	181.5
Adjusted for:			
Impairment (release) / charge	**(1.8)**	1.3	6.1
Provisions charge	**12.5**	-	0.7
Depreciation and amortisation	**5.1**	4.4	9.1
Impairment of property, plant and equipment and intangible assets	**-**	-	0.2
Fair value of collateral loan which represents a pool of equity release mortgages	**5.6**	6.3	6.9
Non cash and other items	**12.8**	(15.1)	(25.4)
Cash generated from operations	**84.7**	113.1	179.1
Changes in operating assets and liabilities:			
Derivative financial instruments	**(9.7)**	(55.1)	(46.6)
Loans and advances to customers	**(1,165.0)**	(360.8)	(1,461.0)
Loans and advances to credit institutions	**77.8**	(4.0)	(7.1)
Other operating assets	**(108.4)**	(59.2)	24.2
Shares	**1,587.2**	1,601.1	3,272.6
Amounts owed to credit institutions and other customers	**(613.1)**	(228.5)	(458.9)
Other operating liabilities	**93.4**	100.3	(284.5)
Taxation paid	**(17.1)**	(22.2)	(49.6)
Net cash flows from operating activities	**(70.2)**	1,084.7	1,168.2
Cash flows from investing activities			
Purchase of investment securities	**(1,199.3)**	(1,612.8)	(2,882.9)
Proceeds from sale and redemption of investment securities	**1,314.0**	651.3	1,774.0
Purchase of intangible assets	**(5.2)**	(4.3)	(12.5)
Purchase of property, plant and equipment	**(1.3)**	(1.1)	(1.9)
Net cash flows from investing activities	**108.2**	(966.9)	(1,123.3)
Cash flows from financing activities			
Net proceeds from issue of debt securities	**904.4**	-	350.2
Repayments of debt securities in issue	**(27.7)**	(291.3)	(379.9)
Repayments of subscribed capital	**(48.4)**	-	(171.2)
Principal lease payments	**(0.7)**	(0.7)	(1.4)
Net cash flows from financing activities	**827.6**	(292.0)	(202.3)
Net increase / (decrease) in cash and cash equivalents	**865.6**	(174.2)	(157.4)
Cash and cash equivalents at the beginning of the period	**2,965.9**	3,123.3	3,123.3
Cash and cash equivalents at the end of the period	**3,831.5**	2,949.1	2,965.9

Notes to the Accounts

1. General information

Reporting period

The unaudited Interim Financial Report shows the financial performance of the Group for the six months to 30 June 2024 and the financial position of the Group as at that date.

Basis of preparation and accounting policies

These condensed consolidated financial statements for the six month period ended 30 June 2024 have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, as adopted by the United Kingdom. They do not include all the information required by International Financial Reporting Standards (IFRS) in full annual financial statements and should therefore be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2023, which were prepared in accordance with IFRS as adopted by the United Kingdom and in accordance with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) applicable to societies reporting under IFRS.

The information in these interim condensed consolidated financial statements is unaudited and does not constitute annual accounts within the meaning of Section 72 of the Building Societies Act 1986 (the Act). Group accounts for the year ended 31 December 2023 have been filed with the Financial Conduct Authority and Prudential Regulation Authority and contained an unqualified audit report, which did not draw attention to any matters by way of emphasis and did not contain any statements under Section 78 of the Act.

There has been one change to the accounting policies adopted and applied by the Group since its latest audited annual financial statements. From 1 January 2024 the Group has chosen to apply the hedge accounting requirements of IFRS 9 for micro fair value hedges and also the macro cash flow hedge. There is no financial impact of the accounting policy change and macro fair value hedges continue to be accounted for in accordance with IAS 39 as permitted by IFRS 9.

These financial statements are presented in sterling and, except where otherwise indicated, have been rounded to the nearest one hundred thousand pounds.

A copy of the Interim Financial Report is placed on the Society's website. The directors are responsible for the maintenance and integrity of the information on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accounting developments

The information on future accounting developments and their potential effect on the financial statements is provided in note 1(b) of the 2023 Annual Report and Accounts.

Taxation

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) Pillar 2 Model Rules. In July 2023 the Pillar 2 legislation was enacted in the United Kingdom, the jurisdiction in which the Group operates. The Pillar 2 legislation came into effect for accounting periods beginning on or after 1 January 2024. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Within Pillar 2, the Global anti-Base Erosion (GloBE) rules are designed to ensure large multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction where they operate. Where the legislation applies, a group is liable to pay a top-up tax for the difference between its GloBE effective tax rate (ETR) per jurisdiction and the 15% minimum rate. Based on an assessment of the current and historical periods, all entities within the group are expected to have an ETR that exceeds 15%. Therefore, there is not expected to be a top-up tax charge on the Group where the legislation does apply, although this is based on estimated calculations as the Group is currently engaged with tax specialists to develop a detailed application of the rules, and will depend upon the financial results at the time of each assessment. The Group will therefore continue to review this position at each reporting date.

Segmental reporting

As reported in note 1(n) of the 2023 Annual Report and Accounts, the Group has determined that it has one reportable segment under IFRS 8 and therefore no separate segmental reporting is provided.

Notes to the Accounts

1. General information (continued)

Going concern

The directors review the results of regular forecasts and stress tests to understand the potential financial and operational performance of the business under a range of economic and market conditions. This informs their assessment of whether the Group is a going concern. These assessments reflect the potential impacts of the principal and emerging risks set out on pages 89 to 111 of the 2023 Annual Report and Accounts. An update on emerging risks is provided on pages 17 to 20 of this report. The directors have prepared the 2024 Interim Financial Report on a going concern basis after conducting an assessment, this presumes that the business will continue in operation for the “foreseeable future” which is at least 12 months from the date of signing of the 2024 Interim Financial Report.

The directors have concluded that:

- The Group has proven access to liquidity resources, including access to central bank funding facilities if required, sufficient to meet both the normal demands of the business and the requirements which might arise in modelled stressed circumstances. The availability and quality of liquid assets are structured so that funds are available to repay any maturing wholesale funds and cover exceptional demand from retail investors;
- The Group’s other assets consist primarily of mortgages secured on residential property. The recoverability of all mortgage assets is reviewed regularly and provisions are made, incorporating a forward looking view of expected losses under a range of macroeconomic scenarios, so that the Group is not exposed to losses on these assets which would impact its decision to adopt the going concern basis; and
- The Group’s current capital resources are sufficient to meet regulatory requirements. Having reviewed future plans and forecasts, the directors consider plans for future capital generation are sufficient to maintain capital in excess of regulatory requirements, under both central and modelled stressed scenarios, taking into consideration known changes to future regulatory requirements.

The directors have therefore concluded that there is no material uncertainty in relation to the Group’s continuation as a going concern and therefore it is appropriate to adopt the going concern basis in the preparation of the Interim Financial Report.

2. Critical accounting estimates and judgements

The preparation of the Interim Financial Report involves making judgements in the application of accounting policies which affect the amounts recognised in the financial statements. In addition, the Group makes estimates and assumptions which could affect the reported amounts of assets and liabilities during the remainder of the financial year and beyond. The critical judgements and estimates which have a significant impact on the financial statements are described in note 2 of the 2023 Annual Report and Accounts.

The critical judgements and estimates which have a significant impact on the Interim Financial Report are described below.

a. Significant accounting estimates and assumptions

(i) Impairment of loans and advances to customers

The significant estimates required for the calculation of impairment loss provisions are forecast UK macroeconomic variables, the probability weightings of the macroeconomic scenarios used and the approach to Post Model Adjustments (PMAs).

Macroeconomic scenarios and probability weightings

The Group has used four macroeconomic scenarios (30 June 2023: four; 31 December 2023: four), which are considered to represent a range of possible outcomes, in determining impairment loss provisions. The scenarios have been revised during the period and reflect that, despite recent economic resilience, there is still downside risk due to continued volatility and uncertainty in the external environment.

Notes to the Accounts (continued)

2. Critical accounting estimates and judgements (continued)

a. Significant accounting estimates and assumptions (continued)

(i) Impairment of loans and advances to customers (continued)

A summary of each of the four revised macroeconomic scenarios is as follows:

	Weighting		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
Central scenario Central scenario reflecting that the external environment remains volatile and uncertain. The scenario anticipates gross domestic product (GDP) starts to strengthen as the rate of inflation reduces. Unemployment decreases slightly as more jobs become available to meet increased activity. Bank base rate (BBR) retains its high levels in the early years with only gradual reductions anticipated.	50%	50%	50%
Downside scenario Downside scenario as modelled in the Group's risk management process reflecting a '1 in 20' stress scenario, with weak consumer spending resulting in a reduction in GDP, a rise in unemployment and reductions in house prices as demand falls due to weaker affordability. The scenario assumes that base rate initially rises to help reduce entrenched level of higher inflation, before being cut in order to tackle the effects of the would-be recession on the UK economy.	25%	25%	25%
Alternative scenario Alternative scenario representing a more severe downturn than in the downside scenario. This initially has very high levels of persistent inflation resulting in a period of higher BBR to reduce demand, with the economy then subject to a further external shock resulting in sharp falls to consumer confidence, steep falls in demand, and falling growth. These conditions drive peak unemployment to 8.4%, with a fall in demand across the housing market, causing greater reductions in house prices in the earlier years of the forecast. As demand collapses, BBR is then reduced quickly to try and stimulate the economy.	15%	20%	20%
Growth scenario Growth scenario representing a more optimistic view of the current economic outlook than assumed in the central scenario, including higher gross domestic product growth as the economy continues to be resilient to the high interest rate environment and rates of inflation decline more markedly.	10%	5%	5%

Scenarios are developed by the Group based on analysis of third party published economic data and forecasts. The relative weighting of the macroeconomic scenarios is derived by determining the point in the economic cycle at which the UK economy sits at the date of the Statement of Financial Position. This indicates a possible range of outcomes for each scenario based on defined boundaries. Management judgement is then applied to determine the appropriate point within the ranges, informed by current relevant market, macroeconomic and political factors and the degree of uncertainty inherent in the UK economy.

At 30 June 2024, we have no longer assessed the economic cycle as being in downturn hence have applied more weighting to the growth scenario and reduced the weighting on the alternative scenario. The weighting on the downside scenario remains towards the higher end of the range in recognition of continued volatility and uncertainty.

The tables on pages 30 and 31 show the macroeconomic assumptions used in each scenario. The variables with the most significant impact on the calculated impairment loss provisions are house price inflation and unemployment rate. The tables show the full year rates for house price inflation and gross domestic product growth, together with the year end position for unemployment rate and base rate. Beyond the five-year period shown, assumptions move towards historic long run averages over the following five years and then remain constant at these rates thereafter.

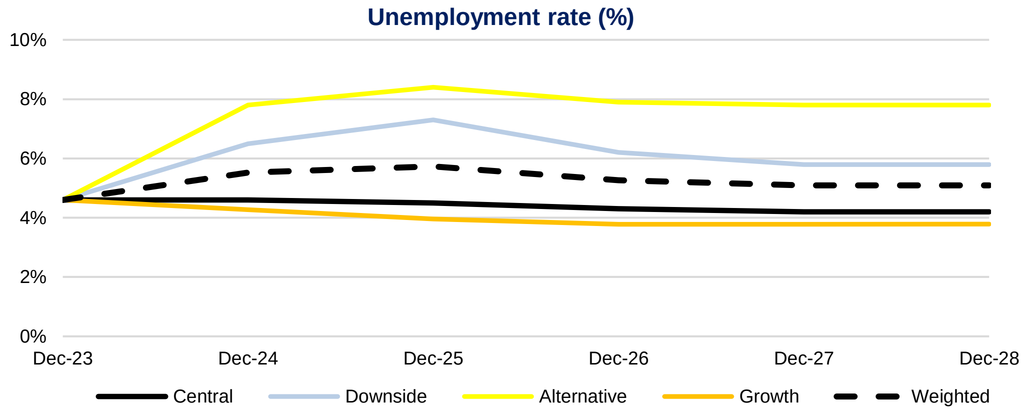
Notes to the Accounts (continued)

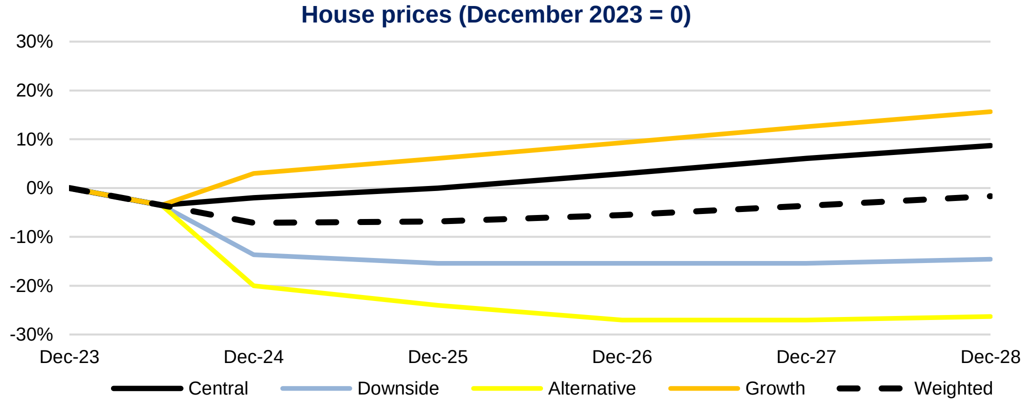
2. Critical accounting estimates and judgements (continued)

a. Significant accounting estimates and assumptions (continued)

(i) Impairment of loans and advances to customers (continued)

The charts below illustrate the unemployment assumptions and the cumulative impact of the annual house price inflation assumptions across all four scenarios.





In addition to being highly sensitive to unemployment and house price inflation, gross domestic product and bank base rate remain key drivers within the scenarios and the forward economic outlook. The rates applied to all key measures are shown below for the five year forecast period:

Notes to the Accounts (continued)

2. Critical accounting estimates and judgements (continued)

a. Significant accounting estimates and assumptions (continued)

(i) Impairment of loans and advances to customers (continued)

Macroeconomic assumptions as at 30 June 2024

Scenario / weighting	Assumption	2024 %	2025 %	2026 %	2027 %	2028 %
Central 50%	House price inflation	(2.00)	2.00	3.00	3.00	2.50
	Unemployment rate (31 December)	4.60	4.50	4.30	4.20	4.20
	Gross domestic product growth	0.80	1.50	1.50	1.50	1.50
	Base rate (31 December)	4.75	4.50	4.00	3.75	3.75
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Downside 25%	House price inflation	(13.70)	(2.00)	0.00	0.00	1.00
	Unemployment rate (31 December)	6.50	7.30	6.20	5.80	5.80
	Gross domestic product growth	(0.75)	(1.25)	1.00	1.00	1.00
	Base rate (31 December)	6.00	3.00	0.75	0.25	0.25
Alternative 15%	House price inflation	(20.00)	(5.00)	(4.00)	0.00	1.00
	Unemployment rate (31 December)	7.80	8.40	7.90	7.80	7.80
	Gross domestic product growth	(0.20)	(4.20)	2.10	1.50	1.50
	Base rate (31 December)	6.50	4.50	1.00	0.10	0.10
Growth 10%	House price inflation	3.00	3.00	3.00	3.00	2.75
	Unemployment rate (31 December)	4.30	4.00	3.80	3.80	3.80
	Gross domestic product growth	1.90	2.00	2.00	2.00	2.10
	Base rate (31 December)	4.00	3.50	3.25	3.00	3.00

Macroeconomic assumptions as at 30 June 2023

Scenario / weighting	Assumption	2023 %	2024 %	2025 %	2026 %	2027 %
Central 50%	House price inflation	(7.50)	0.00	1.50	2.50	2.50
	Unemployment rate (31 December)	4.30	4.75	4.60	4.50	4.20
	Gross domestic product growth	(0.50)	(0.25)	0.75	1.00	1.50
	Base rate (31 December)	5.50	5.25	5.00	4.75	4.00
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Downside 25%	House price inflation	(13.70)	(2.00)	0.00	0.00	1.00
	Unemployment rate (31 December)	6.50	7.30	6.20	5.80	5.80
	Gross domestic product growth	(0.75)	(1.25)	1.00	1.00	1.00
	Base rate (31 December)	3.00	0.25	0.25	0.25	0.25
Alternative 20%	House price inflation	(20.00)	(5.00)	(4.00)	0.00	1.00
	Unemployment rate (31 December)	7.80	8.40	7.90	7.80	7.80
	Gross domestic product growth	(0.20)	(4.20)	2.10	1.50	1.50
	Base rate (31 December)	2.00	0.10	0.10	0.10	0.10
Growth 5%	House price inflation	7.00	2.00	2.00	3.00	3.00
	Unemployment rate (31 December)	4.00	4.00	4.30	4.00	4.00
	Gross domestic product growth	2.50	2.50	2.00	2.50	2.00
	Base rate (31 December)	5.00	4.50	4.00	3.25	3.25

Notes to the Accounts (continued)

2. Critical accounting estimates and judgements (continued)

a. Significant accounting estimates and assumptions (continued)

(i) Impairment of loans and advances to customers (continued)

Macroeconomic assumptions as at 31 December 2023

Scenario / weighting	Assumption	2024 %	2025 %	2026 %	2027 %	2028 %
Central 50%	House price inflation	(6.50)	1.50	2.50	2.50	2.50
	Unemployment rate (31 December)	5.00	4.75	4.50	4.20	4.00
	Gross domestic product growth	(0.25)	0.75	1.00	1.50	1.50
	Base rate (31 December)	4.75	4.25	4.25	4.00	4.00
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Downside 25%	House price inflation	(13.70)	(2.00)	0.00	0.00	1.00
	Unemployment rate (31 December)	6.50	7.30	6.20	5.80	5.80
	Gross domestic product growth	(0.70)	(1.30)	1.00	1.00	1.00
	Base rate (31 December)	6.00	3.00	0.75	0.25	0.25
Alternative 20%	House price inflation	(20.00)	(5.00)	(4.00)	0.00	1.00
	Unemployment rate (31 December)	7.80	8.40	7.90	7.80	7.80
	Gross domestic product growth	(0.20)	(4.20)	2.10	1.50	1.50
	Base rate (31 December)	6.50	4.50	1.00	0.10	0.10
Growth 5%	House price inflation	1.00	2.00	2.70	2.70	2.70
	Unemployment rate (31 December)	4.80	4.50	4.30	4.00	4.00
	Gross domestic product growth	0.50	1.10	1.60	2.10	2.10
	Base rate (31 December)	5.00	4.50	4.00	3.25	3.25

Modelled residential impairment loss provisions totalled £33.2 million at 30 June 2024 (30 June 2023: £27.1 million; 31 December 2023: £32.7 million), with PMAs of £16.9 million (30 June 2023: £21.8 million; 31 December 2023: £20.8m) contributing to total provisions of £50.1 million (30 June 2023: £48.9 million; 31 December 2023: £53.5 million). The increase in modelled loss provisions was primary driven by changes in the composition of the residential loan portfolio during the year to date.

The sensitivity of modelled impairment loss provisions at 30 June 2024 to changes in key individual macroeconomic variables, with all other assumptions held constant, is illustrated below. Note that due to the interaction between different economic variables within the impairment loss provision models, the impacts of such single variable sensitivities may be distorted and are not representative of realistic alternative scenarios. The impact of changing the assumption for annual house price inflation in each of the first two years of the central scenario is as follows:

	+ 10.0 percentage points	+ 5.0 percentage points	- 5.0 percentage points	- 10.0 percentage points
(Decrease) / increase in impairment loss provisions (£M)	(1.7)	(1.0)	1.3	3.2

The impact of changing the assumption for unemployment in each of the first two years of the central scenario is as follows:

	+ 2.0 percentage points	+ 1.0 percentage point	- 1.0 percentage point	- 2.0 percentage points
Increase / (decrease) in impairment loss provisions (£M)	2.4	1.0	(0.3)	(0.5)

2. Critical accounting estimates and judgements (continued)

a. Significant accounting estimates and assumptions (continued)

(i) Impairment of loans and advances to customers (continued)

In practice the above variables are unlikely to move in isolation. The combined impact of movements in a number of variables can be illustrated by the sensitivity of calculated provisions to scenario weightings. The table below shows the movement in impairment loss provisions if each of the scenarios were weighted 100%:

	Period to 30 Jun 2024 (Unaudited) £M	Period to 30 Jun 2023 (Unaudited) £M	Year ended 31 Dec 2023 (Audited) £M
(Decrease) / increase in impairment loss provisions			
Central	**(14.8)**	(10.8)	(12.9)
Downside	**9.6**	0.2	1.9
Alternative	**83.7**	45.7	58.5
Growth	**(15.3)**	(12.8)	(14.8)

The total residential impairment loss provisions (including PMAs) if the central scenario was weighted 100% would be £35.3 million (31 December 2023: £40.6 million) compared to £50.1 million (31 December 2023: £53.5 million) when the scenarios are weighted.

Changes to macroeconomic assumptions, as expectations change over time, are likely to lead to volatility in impairment loss provisions, and may lead to pro-cyclicality in the recognition of impairment losses.

Post model adjustments (judgemental adjustments)
At 30 June 2024, the total of post model adjustments applied by the Group was £16.9 million (30 June 2023: £21.8 million; 31 December 2023: £20.8 million). These adjustments were applied to cover the following:

- The potential impacts of inflationary pressures, the cost of living crisis and residential mortgage rate increases on customer affordability, although it is noted that the stressed affordability assessments performed when mortgages are originated provide assurance that the majority of customers can absorb some level of affordability stress.

- There continues to be uncertainty over the timing of remediation of cladding issues in high rise flats. This could result in lower valuations and challenges obtaining new mortgages on these properties, with the potential to impact on the value of the Group's collateral and thus calculated losses in the event of default.

- The risk of inherent bias in reported house prices across different property types, which may not be reflective of the composition of the Group's mortgage book.

- The consideration of climate risk, specifically the physical risk associated with a very high risk of flooding and coastal erosion, which could result in significantly lower property valuations.

Affordability post model adjustment
The potential impact of current high levels of inflation on mortgage affordability has been estimated by uplifting customers' recorded expenditure (having adjusted for wage inflation) to identify those accounts that could be at risk of having a shortfall against their monthly mortgage payments, depending on individual financial resilience levels. A forward-looking assessment has also identified those accounts at risk of a shortfall due to potential rate increases for those borrowers who are currently paying interest at the standard variable rate and those who have an upcoming fixed term maturity.

The PMA has been estimated as the additional impairment loss provisions required as loans migrate through impairment stages, based on weighted coverage rates by stage. For loans where the identified shortfall is sufficient to equate to three months' arrears over a period of 12 months, a proportion of accounts are assumed to migrate to Stage 3.

Notes to the Accounts (continued)

2. Critical accounting estimates and judgements (continued)

a. Significant accounting estimates and assumptions (continued)

(i) Impairment of loans and advances to customers (continued)

For the remainder, migration from Stage 1 to Stage 2 or from Stage 2 to Stage 3, depending on their staging at 30 June 2024, is assumed. The resulting PMA is £14.2 million (30 June 2023: £18.6 million; 31 December 2023 £17.2 million).

At 30 June 2024 the affordability PMA calculation has been refreshed using the latest underlying mortgage data. The calculation methodology adopted remains consistent with the 2023 year end.

The significant judgements underpinning the affordability PMA calculation and the sensitivity of the PMA to these judgements are:

Assumption	Sensitivity modelled for current assumption	(Decrease) / increase in post model adjustment (£M)
Number of borrowers that will migrate to Stage 3 due to risk of shortfall	Decrease / increase by 5 percentage points	(1.5) / 1.3
£100 threshold above which shortfall against mortgage payment is 'unaffordable' and PMA is applied	Increase threshold to £200 / reduce threshold to 1p	(1.4) / 1.6
Product interest rates available for switching product on maturity or for standard variable rate	Reduce / increase rates by 1 percentage point	(1.3) / 2.2

Inadequate cladding post model adjustment
Applying a consistent approach with 31 December 2023, this PMA has been estimated by identifying properties at the highest risk of cladding issues by matching the Group's portfolio to third party postcode data and applying a range of haircuts to property valuations and making an allowance for remediation costs. The latest data underpinning the calculation indicates a reduction in the number of properties potentially at risk as a limited number of lenders begin to offer mortgages on clad properties combined with remediation work commencing. This resulted in a reduced PMA of £1.0 million as at 30 June 2024 (30 June 2023: £2.5 million; 31 December 2023: £1.9 million).

Transaction bias post model adjustment
The same methodology has been applied as previous reporting periods, by comparing the increases in indexed valuations on the Group's portfolio with alternative third party data and applying a haircut to collateral valuations, giving a PMA of £1.1 million (30 June 2023: £0.7million; 31 December 2023: £1.1million).

Climate risk post model adjustment
Aligned with reporting at 31 December 2023, the Group has recognised a PMA of £0.6 million (30 June 2023: nil; 31 December 2023: £0.6 million) which reflects the consideration of climate risk, specifically the physical risk associated with flooding and coastal erosion. The methodology adopted to calculate the PMA is linked to the ICAAP approach and applies an assumed haircut to valuations for properties that were identified as being at risk.

(ii) Fair value of the collateral loan

The Group measures the collateral loan which represents a pool of equity release mortgages at fair value through profit or loss. The fair value of this loan is calculated using a model which uses a combination of observable market data (such as interest rate curves and RPI swap prices) and unobservable inputs which require estimation, such as the discount rate, property price volatility and the haircut applied to individual sales prices.

The model projects the future cash flows anticipated from the loan based on the contractual terms with the third party from which the mortgages were acquired, with the timing of those cash flows determined with reference to mortality tables (which are subject to estimation uncertainty). The model also calculates a value for the 'no negative equity guarantee' provided to the customer using a stochastic methodology applying a variant of the Black-Scholes formula.

2. Critical accounting estimates and judgements (continued)

a. Significant accounting estimates and assumptions (continued)

(ii) Fair value of the collateral loan (continued)

The key estimates used in the model and the basis of estimation are summarised below:

Assumption	Basis of estimation
Discount rate	Derived from current market rates for new equity release loans adjusted for the specific profile of the Group's portfolio.
Property price volatility	Analysis of historic property price volatility and external research.
Sales price haircut	Average actual discounts observed on the portfolio during the last two financial years.

At 30 June 2024 the carrying value of the collateral loan was £147.6 million (30 June 2023: £154.2 million; 31 December 2023: £153.6 million). The sensitivity of this value to the estimates shown above is as follows:

Assumption	Change to current assumption	(Decrease) / increase in fair value of collateral loan (£M)
Discount rate	+ / - 1 percentage point	(10.6) / 11.9
Property price volatility	+ / - 3 percentage points	(4.1) / 3.7
Sales price haircut	+ / - 5 percentage points	(3.4) / 2.9

The sensitivities shown reflect a range of alternative assumptions based on observed historic data.

(iii) Fair value of the RPI-linked equity release swap

One of the Group’s equity release swaps is linked to the retail price index (RPI) and is valued using a discounted cash flow model which uses observable market data for RPI and the discount rate used to discount future cash flows, and unobservable input assumptions for prepayment rates. Wherever possible these input assumptions are calculated with reference to actual historic experience and are aligned to those assumptions used in the valuation of the collateral loan. The variable which is considered to have the largest impact on the value of the swap is the prepayment rate.

A one percentage point increase in the assumed prepayment rate would increase the value of the swap by £0.4 million, resulting in a corresponding fair value gain in the Income Statement. A one percentage point reduction in the assumed prepayment rate would reduce the value of the swap by £0.5 million, resulting in a corresponding fair value loss in the Income Statement.

3. Interest receivable and similar income

	Period to 30 Jun 2024 (Unaudited) £M	Period to 30 Jun 2023 (Unaudited) £M	Year ended 31 Dec 2023 (Audited) £M
Interest receivable calculated using the effective interest rate method:			
On instruments held at amortised cost:			
On loans fully secured on residential property	**451.2**	**310.3**	693.3
On other loans and advances to customers	**0.2**	**0.3**	0.5
On liquid assets	**95.8**	**65.4**	159.7
Total interest receivable on instruments held at amortised cost	**547.2**	**376.0**	853.5
On instruments held at fair value through other comprehensive income:			
On investment securities	**61.4**	**36.0**	93.8
Total interest receivable calculated using the effective interest rate method	**608.6**	**412.0**	947.3
Similar income on instruments held at fair value through profit or loss:			
On other loans and advances to customers	**7.3**	**5.8**	12.0
Net income on derivatives that hedge financial assets and are designated in accounting hedge relationships	**154.6**	**132.5**	298.6
Net income on derivatives that hedge financial assets and are not designated in accounting hedge relationships	**2.5**	**2.5**	5.7
Total similar income on instruments held at fair value through profit or loss	**164.4**	**140.8**	316.3
Total interest receivable and similar income	**773.0**	**552.8**	1,263.6
Included in the above is:			
Interest receivable on impaired financial assets	**8.2**	**5.6**	13.3

Notes to the Accounts (continued)

4. Interest payable and similar charges

	Period to 30 Jun 2024 (Unaudited)	Period to 30 Jun 2023 (Unaudited)	Year ended 31 Dec 2023 (Audited)
	£M	£M	£M
Interest payable on instruments held at amortised cost:			
On shares held by individuals	**426.0**	207.5	551.7
On deposits and other borrowings:			
Wholesale and other funding	**124.4**	105.9	233.7
Lease liabilities	**0.1**	0.1	0.2
On subordinated liabilities	**3.2**	2.9	6.3
On subscribed capital	**1.1**	5.4	9.2
Total interest payable on instruments held at amortised cost	**554.8**	321.8	801.1
Similar charges on instruments held at fair value through profit or loss:			
Net charges on derivatives that hedge financial liabilities and are designated in accounting hedge relationships	**25.5**	47.5	101.9
Net charges on derivatives that hedge financial liabilities and are not designated in accounting hedge relationships	**21.8**	10.1	23.0
Total similar charges on instruments held at fair value through profit or loss	**47.3**	57.6	124.9
Total interest payable and similar charges	**602.1**	379.4	926.0

5. Fair value gains / (losses) from financial instruments

	Period to 30 Jun 2024 (Unaudited)	Period to 30 Jun 2023 (Unaudited)	Year ended 31 Dec 2023 (Audited)
	£M	£M	£M
Fair value hedge relationships			
Derivatives designated in fair value hedge relationships	**65.8**	80.6	(281.5)
Fair value adjustment for hedged risk of hedged items	**(78.9)**	(74.3)	252.5
Cash flow hedge relationships			
Derivatives designated in cash flow hedge relationships	**14.8**	12.5	26.9
Derivatives not designated in accounting hedge relationships			
Equity release swaps	**7.6**	8.4	0.7
Cross currency swaps net of retranslation on matched Euro liabilities	**0.9**	0.4	1.6
Other financial instruments measured at fair value through profit or loss			
Collateral loan which represents a pool of equity release mortgages	**(5.6)**	(6.3)	(6.9)
Total fair value gains / (losses) from financial instruments	**4.6**	21.3	(6.7)

Fair value gains and losses arise due to accounting ineffectiveness on designated hedges, or because hedge accounting could not be applied to certain items. Volatility also arises from the collateral loan which represents a pool of equity release mortgages, which is measured at FVTPL.

Notes to the Accounts (continued)

6. Administrative expenses

	Period to 30 Jun 2024 (Unaudited) £M	Period to 30 Jun 2023 (Unaudited) £M	Year ended 31 Dec 2023 (Audited) £M
Staff costs			
Wages and salaries	**38.6**	34.7	73.3
Social security costs	**4.3**	3.9	8.2
Pension costs	**6.1**	5.2	10.8
Temporary staff	**1.7**	5.4	9.0
Other staff costs	**0.9**	0.8	1.6
Remuneration of auditor	**0.7**	0.6	1.1
Other administrative expenses			
Technology	**10.2**	8.8	17.6
Development activity	**11.3**	2.5	8.9
Property	**3.7**	2.9	7.3
Legal and professional fees	**1.6**	1.8	3.5
Marketing	**2.6**	2.0	5.3
Regulatory fees	**1.6**	1.3	2.8
Postage and stationery	**1.4**	1.1	2.1
Recruitment and training	**0.5**	1.0	2.1
Other	**3.0**	3.3	6.3
Total administrative expenses	**88.2**	75.3	159.9

Administrative expenses include £9.2 million of technology transformation spend in the period to 30 June 2024 (31 December 2023: £3.9 million).

Capitalised staff costs represent the costs of colleagues directly involved in the development of intangible assets. These costs are included in the capital cost of such assets and are included within additions during the year.

7. Impairment on loans and advances to customers

	Period to 30 Jun 2024 (Unaudited) £M	Period to 30 Jun 2023 (Unaudited) £M	Year ended 31 Dec 2023 (Audited) £M
Loans fully secured on residential property	**(1.6)**	1.3	6.3
Loans fully secured on land	**(0.2)**	-	(0.2)
Total income statement (release) / charge for the period	**(1.8)**	1.3	6.1

The Group's policy for calculating impairment of loans and advances to customers is detailed in note 1(e) of the 2023 Annual Report and Accounts. Details of the significant accounting estimates and judgements required in the calculation of impairment loss provisions, including the incorporation of forward looking information, are provided in note 2.

The table below summarises the Group's retail mortgage balances, loan commitments and associated impairment loss provisions. The classification of loans into stages for impairment purposes is explained in note 1(e) of the 2023 Annual Report and Accounts.

Notes to the Accounts (continued)

7. Impairment on loans and advances to customers (continued)

30 June 2024 (Unaudited)	Gross exposure £M	Impairment loss provision £M	Provision coverage %
Retail mortgages			
Stage 1	**18,900.7**	**5.2**	**0.03**
Stage 2 and <30 days past due	**3,698.9**	**25.5**	**0.69**
Stage 2 and 30+ days past due	**112.4**	**2.5**	**2.22**
Stage 3 and <90 days past due	**141.1**	**1.6**	**1.13**
Stage 3 and 90+ days past due	**147.8**	**15.0**	**10.15**
Total retail mortgages	**23,000.9**	**49.8**	**0.22**
Loan commitments			
Stage 1	**1,640.7**	**0.3**	**0.02**
Total impairment loss provision	**24,641.6**	**50.1**	**0.20**

30 June 2023 (Unaudited)	Gross exposure £M	Impairment loss provision £M	Provision coverage %
Retail mortgages			
Stage 1	17,480.1	4.7	0.03
Stage 2 and <30 days past due	2,912.6	28.5	0.98
Stage 2 and 30+ days past due	104.2	2.2	2.11
Stage 3 and <90 days past due	113.1	2.1	1.86
Stage 3 and 90+ days past due	124.9	11.1	8.89
Total retail mortgages	20,734.9	48.6	0.23
Loan commitments			
Stage 1	1,556.7	0.3	0.02
Total impairment loss provision	22,291.6	48.9	0.22

31 December 2023 (Audited)	Gross exposure £M	Impairment loss provision £M	Provision coverage %
Retail mortgages			
Stage 1	17,670.1	4.8	0.03
Stage 2 and <30 days past due	3,791.4	29.0	0.76
Stage 2 and 30+ days past due	111.0	2.9	2.61
Stage 3 and <90 days past due	125.0	2.1	1.68
Stage 3 and 90+ days past due	138.9	14.4	10.37
Total retail mortgages	21,836.4	53.2	0.24
Loan commitments			
Stage 1	1,268.9	0.3	0.02
Total impairment loss provision	23,105.3	53.5	0.23

Notes to the Accounts (continued)

7. Impairment on loans and advances to customers (continued)

The tables below provide information on movements in the gross retail mortgage exposures and associated impairment loss provisions during the year to date:

Period to 30 June 2024

	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	Provision 12m ECL	Gross exposure	Provision Lifetime ECL	Gross exposure	Provision Lifetime ECL	Gross exposure	Provision
	£M	£M	£M	£M	£M	£M	£M	£M
At 1 January 2024	17,670.1	4.8	3,902.4	31.9	263.9	16.5	21,836.4	53.2
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	(1,206.3)	(0.4)	1,206.3	3.6	-	-	-	3.2
From Stage 1 to Stage 3	(24.0)	-	-	-	24.0	0.4	-	0.4
From Stage 2 to Stage 3	-	-	(47.2)	(0.6)	47.2	1.4	-	0.8
Transfers resulting in reduced impairment loss provision:								
From Stage 2 to Stage 1	1,034.7	0.3	(1,034.7)	(2.0)	-	-	-	(1.7)
From Stage 3 to Stage 1	3.7	-	-	-	(3.7)	-	-	-
From Stage 3 to Stage 2	-	-	15.6	0.1	(15.6)	(0.1)	-	-
Change in impairment loss provision resulting from loan modifications	-	-	-	-	-	-	-	-
Other remeasurement of impairment loss provision (no movement in stage)	-	(0.4)	-	(4.6)	-	0.9	-	(4.1)
New advances	3,751.2	1.3	-	-	-	-	3,751.2	1.3
Redemptions and repayments	(2,328.7)	(0.4)	(231.1)	(0.4)	(26.9)	(1.5)	(2,586.7)	(2.3)
Write offs	-	-	-	-	-	(1.0)	-	(1.0)
At 30 June 2024	**18,900.7**	**5.2**	**3,811.3**	**28.0**	**288.9**	**16.6**	**23,000.9**	**49.8**

7. Impairment on loans and advances to customers (continued)

Period to 30 June 2023

	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	Provision 12m ECL	Gross exposure	Provision Lifetime ECL	Gross exposure	Provision Lifetime ECL	Gross exposure	Provision
	£M	£M	£M	£M	£M	£M	£M	£M
At 1 January 2023	16,965.3	5.1	3,185.5	31.6	221.5	11.1	20,372.3	47.8
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	(849.6)	(0.3)	849.6	2.4	-	-	-	2.1
From Stage 1 to Stage 3	(17.3)	-	-	-	17.3	0.3	-	0.3
From Stage 2 to Stage 3	-	-	(39.3)	(0.6)	39.3	2.6	-	2.0
Transfers resulting in reduced impairment loss provision:								
From Stage 2 to Stage 1	837.2	0.2	(837.2)	(1.2)	-	-	-	(1.0)
From Stage 3 to Stage 1	4.0	-	-	-	(4.0)	-	-	-
From Stage 3 to Stage 2	-	-	17.0	0.1	(17.0)	(0.2)	-	(0.1)
Change in impairment loss provision resulting from loan modifications	-	0.1	-	0.1	-	-	-	0.2
Other remeasurement of impairment loss provision (no movement in stage)	-	(1.0)	-	(1.5)	-	0.4	-	(2.1)
New advances	2,799.7	1.0	-	-	-	-	2,799.7	1.0
Redemptions and repayments	(2,248.6)	(0.4)	(169.4)	(0.2)	(19.1)	(0.9)	(2,437.1)	(1.5)
Write offs	-	-	-	-	-	(0.1)	-	(0.1)
At 30 June 2023	17,490.7	4.7	3,006.2	30.7	238.0	13.2	20,734.9	48.6

Notes to the Accounts (continued)

7. Impairment on loans and advances to customers (continued)

Year ended 31 December 2023

	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	Provision 12m ECL	Gross exposure	Provision Lifetime ECL	Gross exposure	Provision Lifetime ECL	Gross exposure	Provision
	£M	£M	£M	£M	£M	£M	£M	£M
At 1 January 2023	16,965.3	5.1	3,185.5	31.6	221.5	11.1	20,372.3	47.8
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	(1,837.6)	(0.4)	1,837.6	4.2	-	-	-	3.8
From Stage 1 to Stage 3	(45.3)	-	-	-	45.3	0.9	-	0.9
From Stage 2 to Stage 3	-	-	(68.1)	(0.7)	68.1	5.1	-	4.4
Transfers resulting in reduced impairment loss provision:								
From Stage 2 to Stage 1	926.2	0.3	(926.2)	(1.4)	-	-	-	(1.1)
From Stage 3 to Stage 1	6.3	-	-	-	(6.3)	-	-	-
From Stage 3 to Stage 2	-	-	30.6	0.2	(30.6)	(0.3)	-	(0.1)
Change in impairment loss provision resulting from loan modifications	-	-	-	-	-	0.3	-	0.3
Other remeasurement of impairment loss provision (no movement in stage)	-	(2.3)	-	(1.1)	-	2.4	-	(1.0)
New advances	5,311.8	2.9	-	-	-	-	5,311.8	2.9
Redemptions and repayments	(3,656.6)	(0.8)	(157.0)	(0.9)	(34.1)	(2.3)	(3,847.7)	(4.0)
Write offs	-	-	-	-	-	(0.7)	-	(0.7)
At 31 December 2023	17,670.1	4.8	3,902.4	31.9	263.9	16.5	21,836.4	53.2

In the above tables, the impact of changes to accounting estimates and judgements, including macroeconomic scenarios and probability weightings, is included within 'other re-measurement of impairment loss provision' unless the change results in the transfer of a loan between stages in which case it is included in the relevant transfer row.

Notes to the Accounts (continued)

8. Taxation

The standard rate of corporation tax applicable to the Group for the six months ended 30 June 2024 was 25% (six months ended June 2023: 22%; year ended December 2023: 23.5%).

Deferred tax balances have been calculated at a rate of 28% (30 June 2023: 28%; 31 December 2023: 28%) reflecting the corporation tax rate and the 3% banking surcharge.

9. Loans and advances to customers

30 June 2024 (Unaudited)	**Gross exposure £M**	**Impairment loss provision £M**	**Total £M**
Loans fully secured on residential property	**23,000.9**	**(50.1)**	**22,950.8**
Loans fully secured on land	**5.3**	**(1.2)**	**4.1**
Other loans[22]	**147.6**	**-**	**147.6**
Total loans and advances to customers	**23,153.8**	**(51.3)**	**23,102.5**

30 June 2023 (Unaudited)	Gross exposure £M	Impairment loss provision £M	Total £M
Loans fully secured on residential property	20,734.9	(48.9)	20,686.0
Loans fully secured on land	8.3	(1.6)	6.7
Other loans[22]	156.7	(2.5)	154.2
Total loans and advances to customers	20,899.9	(53.0)	20,846.9

31 December 2023 (Audited)	Gross exposure £M	Impairment loss provision £M	Total £M
Loans fully secured on residential property	21,836.4	(53.5)	21,782.9
Loans fully secured on land	6.1	(1.4)	4.7
Other loans[22]	153.6	-	153.6
Total loans and advances to customers	21,996.1	(54.9)	21,941.2

[22] The amount reported for other loans relates to the collateral loan which represents a pool of equity release mortgages.

Notes to the Accounts (continued)

10. Other assets, prepayments and accrued income

	Period to 30 Jun 2024 (Unaudited)	Period to 30 Jun 2023 (Unaudited)	Year ended 31 Dec 2023 (Audited)
	£M	£M	£M
Collateral	**206.5**	202.5	208.2
Prepayments	**12.0**	12.6	9.8
Other assets	**114.1**	97.0	6.1
Total other assets, prepayments and accrued income	**332.6**	312.1	224.1

In the above table, collateral represents amounts owed by credit institutions on cash collateralisation of derivatives.

11. Retirement benefit surplus

	Period to 30 Jun 2024 (Unaudited)	Period to 30 Jun 2023 (Unaudited)	Year ended 31 Dec 2023 (Audited)
	£M	£M	£M
Present value of funded obligations	**(65.8)**	(66.4)	(70.2)
Present value of unfunded obligations	**(0.6)**	(0.6)	(0.6)
Assets at fair value	**68.5**	69.9	73.7
Surplus	**2.1**	2.9	2.9

The Group operates both defined benefit and defined contribution schemes. The defined benefit scheme provides benefits based on final salary for certain employees. It closed to future accruals on 31 December 2014.

On 25 July 2024, the UK High Court upheld a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK.

The Society is aware of this legal ruling and following the outcome of the appeal is assessing whether there is any potential impact on the defined benefit scheme valuation. Currently no conclusion has been reached in this regard and as such no adjustment has been made to the valuation at 30 June 2024.

12. Provisions for liabilities and charges

The amount reported for provisions for liabilities and charges at 30 June 2024 includes a provision of £12.5m which has been recognised during the year in respect of the voluntary financial support we have agreed to offer members impacted by the actions of Philips Trust Corporation.

Whilst the Society has no legal or regulatory requirement to offer financial help, we are standing by our purpose-led, mutual principles and using our financial strength to voluntarily offer support to impacted members.

Following the Society's public announcement of this support in May 2024, we deem the relevant conditions specified in IAS 37 have been met and we have therefore recognised a provision that represents the estimated costs of the voluntary support for members as well as associated administrative and legal costs.

13. Related party transactions

The Group had no related party transactions outside the normal course of business in the six months ended 30 June 2024 (six months ended June 2023: none; year ended December 2023: none).

Notes to the Accounts (continued)

14. Guarantees and other financial commitments

a. Subsidiary undertakings

The Society is obliged under the Building Societies Act 1986 to discharge the liabilities of its subsidiary undertakings to the extent they were incurred before 11 June 1996 and in so far as those bodies are unable to discharge the liabilities out of their own assets.

b. Capital commitments

The Group has capital commitments contracted for but not accrued for under executory contracts of £0.7 million (June 2023: £3.0 million; December 2023: £3.8 million) relating to technology investment programmes. This amount is inclusive of value added tax.

c. Other commitments

The Group is committed to a multi-year service contract for the provision and maintenance of its IT infrastructure. The remaining commitment at 30 June 2024 is £39.9 million (June 2023: £35.9 million; December 2023: £40.1 million). This service contract does not meet the definition of a lease under IFRS 16 – Leases since it does not give the Group the right to control the assets used to provide the service.

15. Credit risk on loans and advances to customers

Retail mortgages

The table below provides information on the Group's retail mortgages by payment status, excluding impairment loss provisions. Overall, past due balances as a percentage of the portfolio have remained broadly stable, with modest increases in the level of balances in arrears evidenced as a result of continued cost of living challenges.

The table includes £9.6 million (June 2023: £9.1 million; December 2023: £9.5 million) of loans and advances secured on residential property in Spain that are past due and £0.3 million (June 2023: none; December 2023: £0.8 million) in possession.

	Period to 30 Jun 2024 (Unaudited)	**Period to 30 Jun 2024 (Unaudited)**	Period to 30 Jun 2023 (Unaudited)	Period to 30 Jun 2023 (Unaudited)	Year ended 31 Dec 2023 (Audited)	Year ended 31 Dec 2023 (Audited)
	£M	**%**	£M	%	£M	%
Not past due	**22,583.2**	**98.7**	20,460.5	98.8	21,530.9	98.7
Past due up to 3 months	**169.9**	**0.7**	153.9	0.7	172.5	0.8
Past due 3 to 6 months	**67.3**	**0.3**	47.2	0.2	50.4	0.2
Past due 6 to 12 months	**43.9**	**0.2**	41.1	0.2	47.8	0.2
Past due over 12 months	**25.5**	**0.1**	25.5	0.1	25.3	0.1
Possessions	**11.0**	**-**	6.7	-	9.5	-
Total	**22,900.8**	**100.0**	20,734.9	100.0	21,836.4	100.0

The Group continues to use forbearance arrangements as part of its arrears management strategies to minimise credit risk, whilst ensuring customers are treated fairly. This includes the use of arrangements to assist borrowers in arrears that are now able to meet agreed repayment strategies, including or excluding arrears balances. The Group's approach to forbearance is described on page 92 of the 2023 Annual Report and Accounts and is materially unchanged.

Notes to the Accounts (continued)

15. Credit risk on loans and advances to customers (continued)

Retail mortgages (continued)

The Society's lending policy permits owner occupier applications with a maximum LTV of 95 per cent and buy to let mortgages with a maximum LTV of 80 per cent, with scope to tighten these criteria if required. Higher LTV lending is subject to enhanced underwriting criteria.

The indexed LTV analysis of the Society's retail mortgage portfolio as at 30 June 2024 is as follows:

	Period to 30 Jun 2024 (Unaudited) £M	**Period to 30 Jun 2024 (Unaudited) %**	Period to 30 Jun 2023 (Unaudited) £M	Period to 30 Jun 2023 (Unaudited) %	Year ended 31 Dec 2023 (Audited) £M	Year ended 31 Dec 2023 (Audited) %
Less than 10%	**198.2**	**0.9**	214.3	1.0	218.4	1.0
10% to 20%	**910.9**	**4.0**	986.3	4.8	1,016.6	4.7
20% to 30%	**2,165.4**	**9.4**	2,168.9	10.5	2,264.2	10.4
30% to 40%	**3,121.5**	**13.6**	3,296.7	15.9	3,379.9	15.5
40% to 50%	**3,865.9**	**16.8**	4,020.5	19.3	4,104.2	18.8
50% to 60%	**3,546.7**	**15.5**	3,405.0	16.4	3,460.4	15.8
60% to 70%	**3,123.8**	**13.6**	2,789.0	13.5	2,993.1	13.7
70% to 80%	**2,636.2**	**11.5**	1,929.6	9.3	2,138.8	9.8
80% to 90%	**2,285.7**	**10.0**	1,450.7	7.0	1,820.2	8.3
90% to 100%	**1,086.6**	**4.7**	469.5	2.3	437.7	2.0
More than 100%	**9.9**	**-**	4.4	-	2.9	-
Total	**22,950.8**	**100.0**	20,734.9	100.0	21,836.4	100.0

Retail mortgages are all fully secured on residential property. The indexed loan to value analysis of the Group's retail mortgage portfolio is as follows:

The overall weighted average indexed loan to value of the residential portfolio is 54.3% (June 2023: 49.9%; December 2023: 51.2%).

16. Fair values

a. Carrying value and fair value of financial instruments not carried at fair value

The table below compares the carrying and fair values of the Group's financial instruments not held at fair value at the reporting date. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting future cash flows at prevailing interest rates.

	Fair value hierarchy level	**Period to 30 Jun 2024 (Unaudited) Carrying value £M**	**Period to 30 Jun 2024 (Unaudited) Fair value £M**	Period to 30 Jun 2023 (Unaudited) Carrying value £M	Period to 30 Jun 2023 (Unaudited) Fair value £M	Year ended 31 Dec 2023 (Audited) Carrying value £M	Year ended 31 Dec 2023 (Audited) Fair value £M
Financial assets:							
Cash in hand and balances with the Bank of England	**Level 1**	**3,649.6**	**3,649.6**	2,738.8	2,738.8	2,830.0	2,830.0
Loans and advances to credit institutions	**Level 2**	**181.9**	**181.9**	285.0	285.0	213.7	213.7
Loans and advances to customers							
Loans fully secured on residential property	**Level 3**	**22,950.8**	**22,629.5**	20,686.0	19,569.0	21,782.9	21,375.6
Other loans	**Level 2**	**4.1**	**4.1**	6.7	6.7	4.7	4.7
Financial liabilities:							
Shares	**Level 2**	**22,380.2**	**22,372.4**	19,121.5	18,727.9	20,793.0	20,747.2
Amounts owed to credit institutions	**Level 2**	**1,288.4**	**1,288.4**	2,083.6	2,083.6	1,869.3	1,869.3
Amounts owed to other customers	**Level 2**	**137.8**	**137.8**	186.0	186.0	169.9	169.9
Debt securities in issue	**Level 1**	**2,916.6**	**3,000.4**	2,315.0	2,395.8	2,400.3	2,365.3
Debt securities in issue	**Level 2**	**671.9**	**672.5**	89.0	89.6	349.8	349.9
Subordinated liabilities	**Level 1**	**326.3**	**329.2**	303.7	300.7	349.9	322.1
Subscribed capital	**Level 1**	**8.0**	**8.0**	191.9	233.9	33.0	51.3

16. Fair values (continued)

b. Fair value measurement basis for financial instruments carried at fair value

The methodology and assumptions for determining the fair value of financial assets and liabilities are included in note 32 of the 2023 Annual Report and Accounts and remain unchanged since December 2023. The tables below classify all assets and liabilities carried at fair value in the Statement of Financial Position according to the method used to establish their fair value.

At 30 June 2024 (Unaudited)	**Level 1 £M**	**Level 2 £M**	**Level 3 £M**	**Total £M**
Assets:				
Investment securities	**525.3**	**1,878.7**	**-**	**2,404.0**
Derivative financial instruments	**-**	**445.1**	**-**	**445.1**
Loans and advances to customers	**-**	**-**	**147.6**	**147.6**
Fair value adjustment for hedged risk on loans and advances to customers	**-**	**-**	**(234.5)**	**(234.5)**
Total assets	**525.3**	**2,323.8**	**(86.9)**	**2,762.2**
Liabilities:				
Fair value adjustment for hedged risk on shares	**-**	**1.2**	**-**	**1.2**
Derivative financial instruments	**-**	**135.5**	**8.9**	**144.4**
Debt securities in issue	**-**	**(36.3)**	**-**	**(36.3)**
Subordinated liabilities	**-**	**(23.8)**	**-**	**(23.8)**
Total liabilities	**-**	**76.6**	**8.9**	**85.5**

At 30 June 2023 (Unaudited)	Level 1 £M	Level 2 £M	Level 3 £M	Total £M
Assets:				
Investment securities	955.8	1,392.9	-	2,348.7
Derivative financial instruments	-	933.9	-	933.9
Loans and advances to customers	-	-	154.2	154.2
Fair value adjustment for hedged risk on loans and advances to customers	-	-	(707.4)	(707.4)
Total assets	955.8	2,326.8	(553.2)	2,729.4
Liabilities:				
Fair value adjustment for hedged risk on shares	-	(131.5)	-	(131.5)
Derivative financial instruments	-	324.5	10.0	334.5
Total liabilities	-	193.0	10.0	203.0

Notes to the Accounts (continued)

16. Fair values (continued)

b. Fair value measurement basis for financial instruments carried at fair value (continued)

At 31 December 2023 (Audited)	Level 1 £M	Level 2 £M	Level 3 £M	Total £M
Assets:				
Investment securities	965.3	1,550.3	-	2,515.6
Derivative financial instruments	-	443.6	-	443.6
Loans and advances to customers	-	-	153.6	153.6
Fair value adjustment for hedged risk on loans and advances to customers	-	-	(132.3)	(132.3)
Total assets	965.3	1,993.9	21.3	2,980.5
Liabilities:				
Fair value adjustment for hedged risk on shares	-	31.9	-	31.9
Derivative financial instruments	-	218.1	14.9	233.0
Debt securities in issue	-	(41.5)	-	(41.5)
Subordinated liabilities	-	(26.0)	-	(26.0)
Total liabilities	-	182.5	14.9	197.4

Level 1: Relates to financial instruments where fair values are taken from quoted prices in active markets for identical assets or liabilities, without adjustment.

Level 2: Valuations of financial instruments for which significant inputs are taken from observable market data for the asset or liability. These include quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets which are not active. These also include valuations where models are used to calculate the present values of expected future cash flows, using solely inputs (such as interest rate curves) from published market observable sources.

Level 3: The valuation of the asset or liability is not solely based on observable market data and includes unobservable inputs. Valuation techniques include net present value and discounted cash flow methods. The assumptions used in such models include risk-free benchmark interest rates, foreign currency exchange rates and expected price volatilities. The objective of the valuation techniques is to determine a fair value that reflects the price of the financial instrument that would have been used by two counterparties in an arm’s length transaction.

16. Fair values (continued)

c. Reconciliation of level 3 fair value measurements of financial instruments

Six months to 30 June 2024 (Unaudited)	**Derivative financial instruments £M**	**Loans and advances to customers £M**	**Fair value adjustment for hedged risk £M**	**Total £M**
At 1 January 2024	**(14.9)**	**153.6**	**(132.3)**	**6.4**
Total gains / (losses) in the Income Statement	**6.0**	**(5.6)**	**-**	**0.4**
Movement in fair value adjustment for hedged risk on loans and advances to customers	**-**	**-**	**(102.2)**	**(102.2)**
Net repayment in the year	**-**	**(0.4)**	**-**	**(0.4)**
At 30 June 2024	**(8.9)**	**147.6**	**(234.5)**	**(95.8)**

Six months to 30 June 2023 (Unaudited)	Derivative financial instruments £M	Loans and advances to customers £M	Fair value adjustment for hedged risk £M	Total £M
At 1 January 2023	(26.9)	161.9	(585.9)	(450.9)
Total gains / (losses) in the Income Statement	6.3	(6.3)	-	-
Movement in fair value adjustment for hedged risk on loans and advances to customers	-	-	(121.5)	(121.5)
Net repayment in the year	10.6	(1.4)	-	9.2
At 30 June 2023	(10.0)	154.2	(707.4)	(563.2)

Year to 31 December 2023 (Audited)	Derivative financial instruments £M	Loans and advances to customers £M	Fair value adjustment for hedged risk £M	Total £M
At 1 January 2023	(26.9)	161.9	(585.9)	(450.9)
Total gains / (losses) in the Income Statement	1.4	(6.9)	-	(5.5)
Movement in fair value adjustment for hedged risk on loans and advances to customers	-	-	453.6	453.6
Net repayment in the year	10.6	(1.4)	-	9.2
At 31 December 2023	(14.9)	153.6	(132.3)	6.4

Total gains / (losses) for the period are included in Fair value gains / (losses) from financial instruments in the Income Statement.

16. Fair values (continued)

d. Level 3 unobservable inputs

(i) Derivative financial instruments (Level 3 equity release swaps)

The deal 3 equity release swap is linked to RPI and is valued using a discounted cash flow model which uses observable market data for RPI and the discount rate used to discount future cash flows and unobservable input assumptions for prepayment rates. Wherever possible these input assumptions are calculated with reference to actual historic experience. The variable which is considered to have the largest impact on the value of the swap is the prepayment rate. At 30 June 2024, a one percentage point increase in assumed prepayment rate would reduce the value of the swap liability by £0.4 million and a one percentage point decrease in assumed prepayment rates would increase the value of the swap liability by £0.5 million.

(ii) Loans and advances to customers (collateral loan)

The collateral loan which represents a pool of equity release mortgages is valued using a discounted cash flow model which uses unobservable input assumptions for property price volatility, sales price haircut, mortality, prepayment, and the discount rate used to discount future cash flows. Wherever possible these input assumptions are calculated with reference to actual historic experience. The variables considered to have the largest impact on the value of the loan are the discount rate, property price volatility and the sales price haircut. The sensitivities below reflect a range of alternative assumptions based on observed historic data and regulatory guidance.

At 30 June 2024, a one percentage point increase in the discount rate would reduce the value of the collateral loan by £10.6 million and a one percentage point decrease in the discount rate would increase the value of the collateral loan by £11.9 million. A three percentage points increase in assumed property price volatility would reduce the value of the collateral loan by £4.1 million and a three percentage points decrease in assumed property price volatility would increase the value of the collateral loan by £3.7 million. A five percentage points increase in the sales price haircut would reduce the value of the collateral loan by £3.4 million and a five percentage points decrease in the sales price haircut would increase the value of the collateral loan by £2.9 million.

(iii) Fair value adjustment for hedged risk on loans and advances to customers

The Group designates a portfolio of fixed rate mortgages into hedge relationships to mitigate interest rate risk. The calculation of the fair value uses observable market interest rate data and assumptions about projected prepayments. These prepayment assumptions are unobservable inputs that are calculated using historic data and reviewed periodically so that projections are broadly in line with actual data, with sensitivities calculated based on historic observed variability.

At 30 June 2024, a 20% proportionate increase in mortgage repayments would lead to a reduction in the fair value of the mortgages in the hedge relationship of £5.5 million. A 20% proportionate decrease in mortgage repayments would lead to an increase in the fair value of the mortgages of £4.7 million.

Notes to the Accounts (continued)

17. Events after the date of the Statement of Financial Position

There have been no subsequent events between 30 June 2024 and the date of approval of this Interim Financial Report by the Board which would have had a material impact on the financial position of the Group.

Cautionary statement

This Interim Financial Report has been prepared solely to provide additional information to members to assess the Group's financial position and the potential for its strategies to succeed. These statements should not be relied on by any other party or for any other purpose. The Interim Financial Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements, which have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Society and the undertakings included in the consolidation as a whole; and
- the Interim Financial Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year).

Signed on behalf of the Board of Directors:

Iain Cornish Chairman	Richard Fearon Chief Executive Officer	Andrew Conroy Chief Financial Officer

31 July 2024

Independent Review Report to Leeds Building Society

Conclusion

We have been engaged by the Society to review the condensed set of financial statements in the Interim Financial Report for the six months ended 30 June 2024 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Members' Interests, Condensed Consolidated Cash Flow Statement and the related explanatory notes 1 to 17. We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Financial Report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Society are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this Interim Financial Report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the Interim Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the Interim Financial Report, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the Interim Financial Report, we are responsible for expressing to the Society a conclusion on the condensed set of financial statements in the Interim Financial Report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Independent Review Report to Leeds Building Society

Use of our report

This report is made solely to the Society in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

Leeds

31 July 2024