Pillar 3 Disclosures 2024

Leeds Building Society

2024 Pillar 3 Disclosures

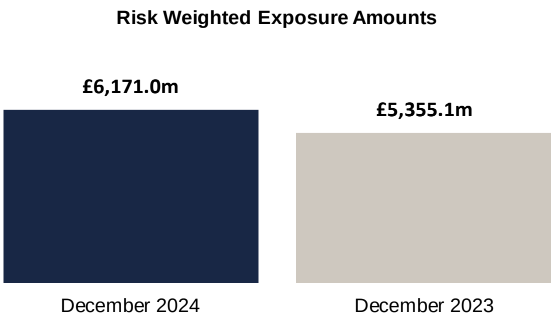
Contents

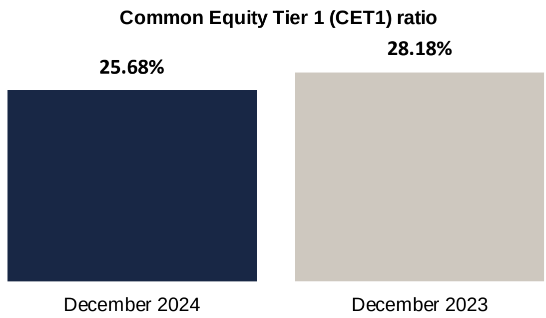
1 Executive Summary

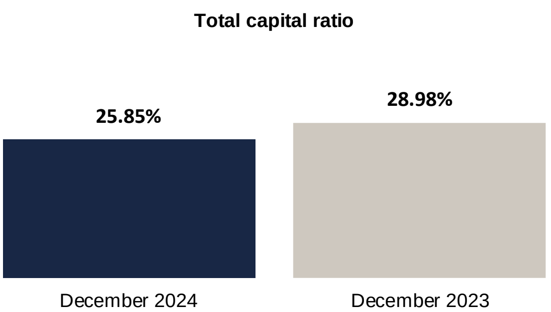
During 2024, the Society remained strongly capitalised with capital resources significantly above the Prudential Regulation Authority (PRA) prescribed Total Capital Requirement (TCR) and buffer requirements, and Minimum Requirement for own funds and Eligible Liabilities (MREL) requirements.

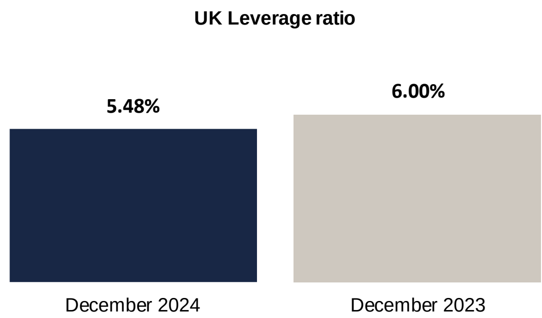
Capital ratios have reduced in the 12 months to 31 December 2024 primarily reflecting an increase in Risk Weighted Exposure Amounts (RWEAs) driven by higher net retail lending in the period and a revision to an adjustment that reflects the expected impact of regulatory Internal Ratings Based (IRB) reforms, partly offset by higher capital resources following the recognition of full year profits. During the year, the Society repurchased its £25m of Permanent Interest Bearing Shares (PIBS), which reduced both total capital and MREL resources but will deliver interest savings going forward as part of a more capital efficient structure.

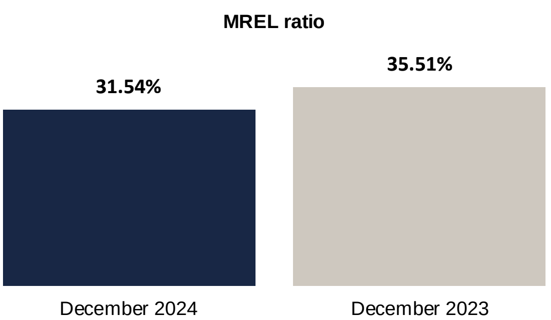
The UK leverage ratio has reduced to 5.48% reflecting an increase in the leverage exposure primarily driven by higher net retail lending in the period, partly offset by higher fully loaded Tier 1 capital following the recognition of full year profits.











2 Introduction

This document presents the Pillar 3 disclosures of Leeds Building Society (the Society) for the year ended 31 December 2024. The Pillar 3 disclosure requirements apply to banks and building societies and require firms to publish key details regarding their capital position and management of risk.

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.

Basis and Frequency of Disclosure

This document has been prepared in accordance with the Disclosure (Capital Requirement Regulation firms (CRR)) part of the PRA Rulebook.

The Society is required to publish Pillar 3 disclosures quarterly (31 March, 30 June, 30 September, 31 December) in line with the PRA Rulebook on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of the CRR. Summary disclosures are published quarterly, with more extensive disclosures published semi-annually. These full year disclosures have been published in conjunction with the publication date of the Society's Annual Report and Accounts and the information presented is based on those Accounts, with any exceptions noted. Unless otherwise stated, all figures and narrative are at 31 December 2024, with comparative figures for 31 December 2023 where relevant.

Disclosures are presented in sterling using the prescribed disclosure templates in the PRA Rulebook. Row and column references are based on those prescribed in the PRA templates; no changes have been made to the fixed templates. The Society opted to apply IFRS 9 transitional arrangements to capital calculations in accordance with EBA/GL/2018/01 - see section 3.2 for further details. Capital positions, with the exception of leverage ratios, are reported on an IFRS 9 transitional basis, as opposed to fully loaded. As there was no negative impact arising from expected credit loss accounting under IFRS 9 compared to IAS39 at 31 December 2024 and 31 December 2023, these positions are the same.

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

Non-material, proprietary or confidential information

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

No sector split or residual maturity profile has been included for the legacy commercial loan portfolio due to the low materiality of the remaining exposure, which was £5.6m in 2024 (31 December 2023: £6.0m).

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

Verification

These disclosures have been subject to internal verification and have been recommended for approval by the Audit Committee before approval by the Board. The production of Pillar 3 disclosures is governed by a formal policy which is owned and approved by the Audit Committee which covers, inter alia, adequacy, verification, frequency and medium of publication of the disclosures.

There is no formal external audit requirement in relation to these disclosures; however, some of the information also appears in the Society's Annual Report and Accounts, which are subject to external audit verification. The Annual Report and Accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the United Kingdom and the information in the Pillar 3 disclosures may not be directly comparable with that information due to differences in regulatory requirements and/or definitions. The disclosures are published on the "Financial results" section of the Society's website (www.leedsbuildingsociety.co.uk/press/financial-results/).

New and emerging regulation

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

The Society's preparations to meet the requirements of the Basel 3.1 standards, which come into force in January 2027, are well underway. The Society expects to continue to materially exceed all regulatory requirements under this new regulation.

3 Annex I: Key Metrics and Overview of RWEA

3.1 UK KM1: Key Metrics

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

	Table 1 (UK KM1): Key metrics	Dec-24 a	Sep-24 b	Jun-24 c	Mar-24 d	Dec-23 e
		T	T-1	T-2	T-3	T-4
Available own funds (£m)						
1	Common Equity Tier 1 (CET1) capital	**1,584.9**	1,542.5	1,539.4	1,506.9	1,508.9
2	Tier 1 capital	**1,584.9**	1,542.5	1,539.4	1,506.9	1,508.9
3	Total capital	**1,595.0**	1,553.5	1,550.6	1,548.7	1,551.8
Risk-weighted exposure (£m)						
4	Total risk-weighted exposure amount	**6,171.0**	6,138.8	5,991.3	5,641.0	5,355.1
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	**25.68%**	25.13%	25.69%	26.71%	28.18%
6	Tier 1 ratio (%)	**25.68%**	25.13%	25.69%	26.71%	28.18%
7	Total capital ratio (%)	**25.85%**	25.31%	25.88%	27.45%	28.98%
Additional own funds requirements based on Supervisory Review and Evaluation Process (SREP) (as a percentage of risk-weighted exposure amount)[1]						
UK 7a	Additional CET1 SREP requirements (%)	**1.72%**	1.72%	1.58%	1.59%	1.59%
UK 7b	Additional AT1 SREP requirements (%)	**0.57%**	0.57%	0.53%	0.53%	0.53%
UK 7c	Additional T2 SREP requirements (%)	**0.77%**	0.77%	0.70%	0.71%	0.71%
UK 7d	Total SREP own funds requirements (%)	**11.06%**	11.06%	10.81%	10.82%	10.83%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	**2.50%**	2.50%	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	**-**	-	-	-	-
9	Institution specific countercyclical capital buffer (%)[2]	**2.00%**	2.00%	2.00%	2.00%	2.00%
UK 9a	Systemic risk buffer (%)	**-**	-	-	-	-
10	Global Systemically Important Institution buffer (%)	**-**	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	**-**	-	-	-	-
11	Combined buffer requirement (%)	**4.50%**	4.50%	4.50%	4.50%	4.50%
UK 11a	Overall capital requirements (%)	**15.56%**	15.56%	15.31%	15.32%	15.33%
12	CET1 available after meeting the total SREP own funds requirements (%)[3]	**14.78%**	14.24%	15.07%	17.17%	18.68%
Leverage ratio						
13	Leverage ratio total exposure measure (£m)	**28,899.8**	27,694.9	26,215.2	25,189.3	25,128.1
14	Leverage ratio (%)	**5.48%**	5.57%	5.87%	5.98%	6.00%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)[4]						
UK 14a	Additional CET1 leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
UK 14b	Additional AT1 leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
UK 14c	Additional T2 leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
UK 14d	Total SREP leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
UK 14e	Applicable leverage buffer	n/a	n/a	n/a	n/a	n/a
UK 14f	Overall leverage ratio requirements (%)	n/a	n/a	n/a	n/a	n/a
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	**5,266.1**	5,133.4	5,144.7	4,885.2	4,678.4
UK 16a	Cash outflows - Total weighted value	**2,754.2**	2,560.8	2,413.8	2,242.0	2,141.3
UK 16b	Cash inflows - Total weighted value	**252.2**	239.4	225.4	216.9	162.2
16	Total net cash outflows (adjusted value)	**2,502.1**	2,321.4	2,188.4	2,025.1	1,979.1
17	Liquidity coverage ratio (%)	**214.33%**	224.24%	237.79%	241.86%	236.01%
Net Stable Funding Ratio						
18	Total available stable funding	**25,628.9**	25,547.5	25,293.3	24,794.4	24,447.1
19	Total required stable funding	**18,559.9**	18,393.5	17,948.6	17,500.1	17,094.1
20	NSFR ratio (%)	**140.25%**	138.93%	141.01%	141.75%	143.00%

Notes to table UK KM1:
1. Any firm-specific PRA buffer requirement is excluded from this disclosure.
2. The institution-specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates for the different countries in which institutions have exposures. Per the regulations, non-UK exposures are only included in the average if the total of non-UK exposures is greater than 2.00% of total balance sheet assets, which the Society does not meet.
3. Represents the level of CET1 capital available to meet buffer requirements after subtracting the minimum amount of CET1 capital required to meet Pillar 1 and Pillar 2A capital requirements, also referred to as total SREP own funds requirements. The minimum CET1 requirement is equivalent to 4.50% (Pillar 1) plus the additional CET1 SREP requirement (56.25% of Pillar 2A).
4. The additional leverage ratio disclosure requirements only apply to financial institutions with deposits equal to or greater than £50bn or non-UK assets equal to or greater than £10bn. The rows have been left blank as the Society is not currently captured by either threshold.

Annex I: Key Metrics and Overview of RWEA

Capital Ratios and Buffers

The Society's capital position remains strong with CET1 capital of £1,584.9m (31 December 2023: £1,508.9m). The £76.0m increase to CET1 capital during the year is driven by earnings after tax. Total capital has increased by £43.2m to £1,595.0m (31 December 2023: £1,551.8). Due to the strength of the Society's current capital position, in April 2024, the Society repurchased its £25m of PIBS, which reduced both total capital and MREL resources but will deliver interest savings going forward as part of a more capital efficient structure.

RWEAs increased by £815.9m during the year to £6,171.0m (31 December 2023: £5,355.1m). The increase in RWEAs is primarily driven by growth in mortgage assets. A revision to an adjustment that reflects the expected impact of regulatory IRB reforms was the other key driver in the RWEA increase. Underlying asset quality and risk weights have remained broadly stable in the period.

As a result of the movement in regulatory capital and RWEAs explained above, the CET1 ratio and total capital ratio have both decreased to 25.68% (31 December 2023: 28.18%) and 25.85% (31 December 2023: 28.98%) respectively.

As of 31 December 2024, the Pillar 2A requirement set by the PRA was 3.06% of RWEAs, of which 1.72% must be met by CET1 capital.

Leverage Ratio

The leverage ratio has been calculated in accordance with changes to the UK's leverage ratio framework which came into effect from 1 January 2022 and excludes deposits with central banks. The UK leverage ratio has decreased to 5.48% as of 31 December 2024 (31 December 2023: 6.00%) reflecting a £3,771.7m increase in the leverage exposure, primarily due to higher net retail lending in the period and an increase in the amount of investment securities held, partly offset by the £76.0m increase in fully loaded Tier 1 capital (31 December 2024: £1,584.9m; 31 December 2023: £1,508.9m, see table 14).

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

Liquidity Coverage Ratio (LCR)

The Society's average LCR over the 12 months to 31 December 2024 was 214.33% (31 December 2023: 236.01%) and was above both the regulatory and internal limits set by the Board throughout the year.

Net Stable Funding Ratio (NSFR)

The Society's average NSFR over the four quarters to 31 December 2024 was 140.25% (31 December 2023: 143.00%) and was above both the regulatory and internal limits set by the Board throughout the year.

3.2 IFRS 9 transitional arrangements

IFRS 9 Financial Instruments was adopted by the Society from 1 January 2018. The standard replaces IAS 39 – Financial Instruments. Consequently, the standard allows entities to continue to apply IAS 39 for all hedge accounting. The Society has chosen to apply IFRS 9 to its macro cash flow hedge and micro fair value hedge relationships from 1st January 2024 but continues to apply IAS 39 in relation to portfolio fair value hedges, as permitted by the standard. For further information please see note 31 within the Society's Annual Report and Accounts.

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

Annex I: Key Metrics and Overview of RWEA

CET1 at 31 December 2024 (31 December 2023: £nil) as there was no negative impact arising from expected credit loss accounting under IFRS 9 compared to IAS39.

Table 2: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs		Dec-24	Sep-24	Jun-24	Mar-24	Dec-23
		T	T-1	T-2	T-3	T-4
Available capital (£m)						
1	CET1 capital	**1,584.9**	1,542.5	1,539.4	1,506.9	1,508.9
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**1,584.9**	1,542.5	1,539.4	1,506.9	1,508.9
3	Tier 1 capital	**1,584.9**	1,542.5	1,539.4	1,506.9	1,508.9
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**1,584.9**	1,542.5	1,539.4	1,506.9	1,508.9
5	Total capital	**1,595.0**	1,553.5	1,550.6	1,548.7	1,551.8
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**1,595.0**	1,553.5	1,550.6	1,548.7	1,551.8
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	**6,171.0**	6,138.8	5,991.3	5,641.0	5,355.1
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**6,171.0**	6,138.8	5,991.3	5,641.0	5,355.1
Capital ratios						
9	CET1 (as a percentage of risk exposure amount)	**25.68%**	25.13%	25.69%	26.71%	28.18%
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**25.68%**	25.13%	25.69%	26.71%	28.18%
11	Tier 1 (as a percentage of risk exposure amount)	**25.68%**	25.13%	25.69%	26.71%	28.18%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**25.68%**	25.13%	25.69%	26.71%	28.18%
13	Total capital (as a percentage of risk exposure amount)	**25.85%**	25.31%	25.88%	27.45%	28.98%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**25.85%**	25.31%	25.88%	27.45%	28.98%
Leverage ratio						
15	Leverage ratio total exposure measure (£m)	**28,899.8**	27,694.9	26,215.2	25,189.3	25,128.1
16	Leverage ratio	**5.48%**	5.57%	5.87%	5.98%	6.00%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**5.48%**	5.57%	5.87%	5.98%	6.00%

3.3 Minimum Required Eligible Liabilities

As part of the Bank Recovery and Resolution Directive (BRRD), the Bank of England (BoE), in its capacity as the UK resolution authority, published its policy for setting MREL. All banks and building societies are assigned a preferred resolution strategy by the BoE dependent on their balance sheet size and quantum of transactional accounts. Due to the Society having a balance sheet in excess of £25bn the BoE have stated a preferred resolution strategy for the Society of 'bail-in' requiring the Society to hold both recovery and resolution capital requirements.

As of 31 December 2024, total MREL resources were equal to 31.54% (31 December 2023: 35.51%) significantly in excess of the requirement, including regulatory buffers, of 26.63%. The reduction in ratios is driven by the same factors described under impact to RWEAs and total capital resources in section 3.1.

Table 3: MREL		Dec-24	Dec-23
Prudential Consolidation Group (Resolution Group Level)			
1	Total MREL Eligible Resources (£m)	1,946.1	1,901.8
2	Total MREL Requirement (£m)	1,643.2	1,401.3
3	**Headroom over MREL (£m)**	**302.9**	**500.6**
	MREL Ratios (as a % of RWEAs):		
4	MREL	31.54%	35.51%
5	MREL Requirement plus Buffers	26.63%	26.17%

The ratio is calculated as MREL eligible resources divided by RWEAs on 31 December of the relevant year. Key drivers for the movement are profits after tax and the application of the IRB model PMA as described in section 13.

Binding Minimum Capital Requirement

MREL requirements are two times minimum regulatory requirements plus any regulatory buffers to determine full loss-absorbing capacity. The table below sets out the Society's MREL requirement as disclosed on the BOE website:

Binding Minimum Capital Requirement		MREL	Loss-absorbing capacity (MREL + Buffer)
31 December 2024	11.06% RWEAs	22.13% RWEAs	26.63% RWEAs

Annex I: Key Metrics and Overview of RWEA

3.4 UK OV1: Overview of Risk Weighted Exposure Amounts

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

Table 4 (UK OV1) : Overview of Risk Weighted Exposure Amounts		RWEAs		Total own funds requirements
		Dec-24	Dec-23	Dec-24
		a	b	c
1	**Credit risk (excluding Counterparty Credit Risk (CCR))**	**5,528.4**	**4,788.4**	**442.3**
2	Of which the standardised approach	357.9	370.5	28.7
5	Of which the advanced IRB (AIRB) approach	5,170.5	4,418.0	413.6
6	**Counterparty credit risk - CCR**	**13.8**	**17.6**	**1.1**
7	Of which the standardised approach	1.1	-	0.1
8	Of which internal model method (IMM)	-	-	-
UK 8a	Of which exposures to a Central Clearing Counterparty (CCP)	7.4	9.1	0.6
UK 8b	Of which Credit Valuation Adjustment - CVA4	5.3	8.5	0.4
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	**70.3**	**36.1**	**5.6**
19	Of which securitisation: standardised approach (SEC-SA)	70.3	36.1	5.6
UK 19a	Of which 1250%/ deduction		-	-
20	**Position, foreign exchange and commodities risks (Market risk)[5]**	**-**	**-**	**-**
23	**Operational risk**	**558.5**	**513.0**	**44.7**
UK 23a	Of which basic indicator approach		-	-
UK 23b	Of which standardised approach	558.5	513.0	44.7
UK 23c	Of which advanced measurement approach		-	-
29	**Total**	**6,171.0**	**5,355.1**	**493.7**

3.5 UK OVC: ICAAP Information

a) Approach to assessing the adequacy of the internal capital

The Society's Capital Management Policy (CMP) outlines the systems and key controls to ensure capital is measured and managed within the boundaries of risk appetite set by the Board. It also provides a clear articulation of the accountability for capital management across the Society. The CMP is supported by three Capital Standards covering capital requirements, capital resources and stress testing.

Capital adequacy is monitored on a monthly basis against a number of key metrics to ensure that it stays within the Board's risk appetite and above the regulatory minima. Tier 1, Tier 2, Total Capital and MREL are tracked on both a transitional and fully loaded basis against prior periods and internal plans.

Specific capital management reports are presented to the appropriate executive risk and management committees. The key regulatory capital ratios are set out in table 1 (UK KM1). Summarised regulatory capital positions and forecasts (including forecasts under stress scenarios) are reported to the Board and to the Asset & Liability Committee (ALCo).

The Society considers both risk-based capital requirements and non risk-based leverage requirements when determining the Society's strategy and has adopted a range of performance metrics over and above the regulatory minimum as the Society's risk appetite.

The Society assesses its capital adequacy through an Internal Capital Adequacy Assessment Process (ICAAP) at least annually. This process is used to determine the level of capital required to support the Society's current and future business activities. The ICAAP ensures that the Society meets regulatory and internal capital requirements under business as usual and stressed environments, over a five-year time horizon. The Board Risk Committee (BRC) reviews internal refreshes of the ICAAP at least annually and more frequently when required. A summary of the Society's ICAAP process is set out on the following page.

Annex I: Key Metrics and Overview of RWEA

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<tr><th>Key Inputs</th><th colspan="3">Internal Processes</th><th>Governance</th></tr>
<tr><td>Strategic Risk Appetite (SRA)</td><td rowspan="2">Pillar 1
Credit Risk
Operational Risk
Market Risk</td><td rowspan="2">Pillar 2A
Risks not fully covered by, or outside the scope of, Pillar 1</td><td rowspan="2">Pillar 2B
Forward looking element & stress testing</td><td rowspan="4">Balance Sheet Optimisation Group (BSOG)
↓
Asset & Liability Committee (ALCO)
↓
Board Risk Committee (BRC)
↓
Board</td></tr>
<tr><td>Enterprise Risk Management Framework (ERMF)</td></tr>
<tr><td>Corporate Planning</td><td colspan="3">Assessment of key controls
Attestation of inputs provided by 1st line 'Heads of'</td></tr>
<tr><td>Stress and Scenario Testing</td><td colspan="3">Model governance
2nd line review by Prudential Risk</td></tr>
<tr><td colspan="5">3rd line review by Internal Audit (if applicable)</td></tr>
</table>

Pillar 1

The Society's minimum capital requirement under Pillar 1 is calculated by adding the credit risk requirement (see sections 10 to 15) to the requirements for securitisation exposures (see section 16) and operational risk (see section 18). The Society applies an IRB approach to calculating retail credit risk requirements, with the Standardised approach applied in other areas.

Pillar 2

Following Board approval, the ICAAP is considered by the PRA as part of its Supervisory Review and Evaluation Process (SREP) with the output being that a TCR is prescribed to the Society. This includes confirmation of Pillar 2A and Pillar 2B firm specific requirements.

Pillar 2A captures risks that are deemed to be underestimated or not adequately captured within Pillar 1. The additional minimum capital requirements set by the PRA by issuing an entity specific TCR under Pillar 2A represents a point in time estimate of the total amount of capital that is needed by the entity. It includes the assessment of risks that are not fully covered by Pillar 1 such as credit concentration and operational risk, and those risks outside the scope of Pillar 1 such as pensions and interest rate risk.

Pillar 2B is a buffer that is required to be held if the capital in the capital conservation buffer is insufficient to cover the impact of an adverse stress scenario or if the PRA considers that there are systemic risks in the organisation that require additional capital.

As of 31 December 2024, this updated TCR would equate to a Pillar 2A of 3.06% risk weighted assets, of which 1.72% has to be covered by CET 1 capital (31 December 2023: 2.83% and 1.59% respectively). The Society is not permitted by the PRA to provide any further details regarding the quantum of the individual components.

Combined Buffer Requirements

Capital Conservation Buffer

The capital conservation buffer represents 2.50% of risk weighted assets throughout the year ended 31 December 2024 (31 December 2023: 2.50%).

Systemic Risk Buffer

The Systemic Risk Buffer (SRB) is an additional capital requirement that applies to ring-fenced banks and larger building societies that are deemed systemically important. Those with total assets of less than £175bn are subject to a 0% SRB, and therefore, the Society does not need to hold any additional capital buffer in this regard.

Annex I: Key Metrics and Overview of RWEA

Countercyclical Buffers

The requirement for a countercyclical capital buffer under Article 440 of the CRR results from multiplying the total risk exposure amount (the total credit risk weighted assets from table 4) by the buffer rate for that country and summing the result. As foreign credit exposures represent less than 2.00% of the Society's aggregate risk weighed exposures, all exposures have been allocated to the UK. At 31 December 2024 the Society had an institution specific countercyclical capital buffer requirement of £123.4m (31 December 2023: £107.1m).

3.6 UK INS1: Insurance participations

UK INS1 is not applicable to the Society as it does not hold any own fund instruments in insurance or re-insurance firms.

3.7 UK INS2: Financial conglomerates information on own funds and capital adequacy ratio

UK INS2 is not applicable to the Society. The Society is not a financial conglomerate.

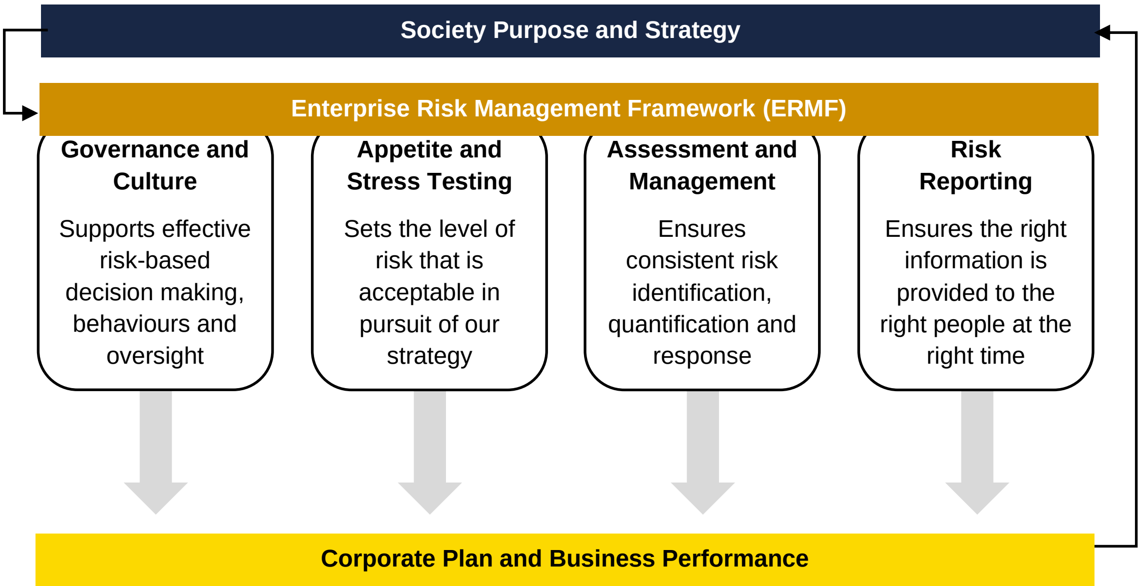
4 Annex III: Risk Management Objectives and Policies

4.1 UK OVA: Institution Risk Management Approach

a) Risk statement approved by the management body (Point (f) of Article 435(1) CRR)

Risk management at the Society is at the core of delivering our purpose of 'Putting homeownership within reach of more people generation after generation'. In the delivery of our purpose and strategic goals, the Society is exposed to a variety of internal and external risks. By understanding the nature of these risks through effective risk management, we can make informed decisions, which support our longer-term viability, deliver good customer outcomes, and protect members' interests. Our approach to managing risk is defined within our Enterprise Risk Management Framework (ERMF), which establishes a structured and consistent approach to identifying, assessing, controlling, and monitoring risks, supporting delivery of our strategic objectives.

Figure 1: ERMF



The ERMF applies to all areas of the Society and is owned by the Board. It is approved formally on a periodic basis and is subject to ongoing review to ensure that it remains fit for purpose. The Society has identified eight principal risk categories under the ERMF:

Principal Risk	Description
Credit Risk	The risk that residential borrowers or wholesale counterparties fail to meet their financial obligations.
Market Risk	The risk that movements in interest rates or foreign currency adversely impact our capital and earnings.
Operational Risk	The risk of financial or reputational loss from inadequate or failed internal processes, people and systems or from external events.
Funding and Liquidity Risk	The risk of insufficient funds to meet obligations as they fall due or the inability to access funding at a reasonable cost.
Business and Strategic 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.
Conduct Risk	The risk that actual or potential customer detriment arises, or may arise, from the way the Society conducts its business.
Capital Risk	The risk that the Society has insufficient quality or quantity of capital resources to meet current or future regulatory and business requirements.
Model Risk	The risk of adverse consequences from model errors or the inappropriate use of modelled outputs.

Annex III: Risk Management Objectives and Policies

A key element of the ERMF is the Strategic Risk Appetite (SRA) Framework. This comprises qualitative statements and quantitative metrics for our principal risks to set the parameters within which the Society should operate to deliver its strategy. These appetite statements and metrics are reviewed annually by the Board, or more frequently if required.

Our SRA Framework is reinforced through policies, standards, and sub limits, to ensure consistency and alignment to the Board defined parameters.

Performance against appetite is monitored regularly, and we have developed appropriate early warning indicators and escalation procedures to anticipate and respond to risk profile changes. The Board, BRC and Executive Risk Committees receive regular reporting on the Society's risk profile and position against appetite and limits. SRA metrics are also used in corporate planning and stress testing to measure and validate our long-term viability, under severe but plausible scenarios.

The Society does not disclose its strategic risk appetite measures, as they are considered to be proprietary information as per CRR article 432.

UK OVA b) Information on the risk governance structure for each type of risk (Point (b) of Article 435(1) CRR); and

UK OVB d) Information whether or not the Society has set up a separate risk committee and the frequency of the meetings (Point (d) of Article 435(2) CRR)

The main components of the Society's risk governance are as follows:

Committee structure

The Board is the Society's governing body, responsible for overseeing the implementation of its Strategy and holding management to account. To support the Board in the delivery of its responsibilities, the Society operates four Board sub-committees, each with distinct mandates in their Terms of Reference (ToR).

The Board Risk Committee (BRC) provides independent oversight of the effective management of our risk universe. Its main duties are summarised as follows:

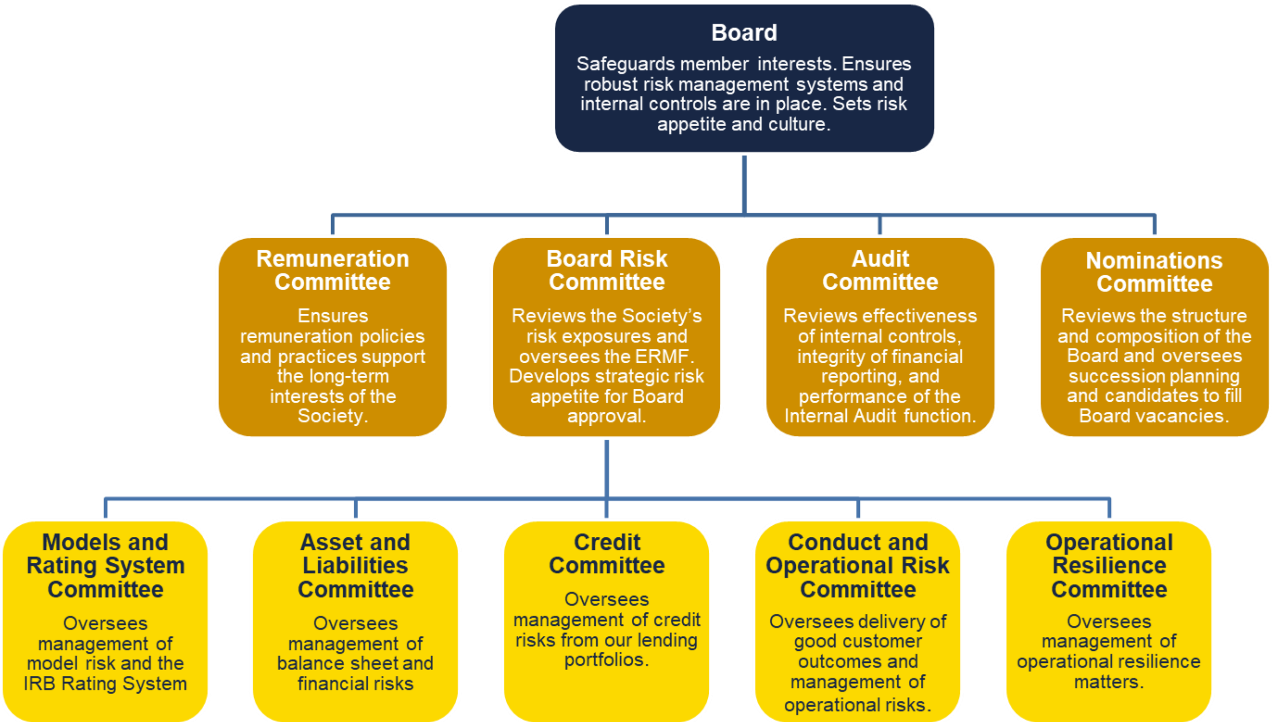
- Overseeing the effective implementation and development of the Society's ERMF and promoting an appropriate risk culture across the Society.
- Monitoring the risk profile of the Society on behalf of the Board.
- Ensuring that the Society retains an appropriate risk appetite in the context of its strategy and operating conditions.
- Reviewing key risk policies and the outputs of key prudential processes such as the ICAAP, ILAAP, Recovery Plan and Resolvability Assessment Framework (RAF).
- Ensuring that remuneration policies support good risk management practices, and that Management are held account for identifying and managing risks.

Under its Terms of Reference (ToR), the BRC is required to meet at least five times per annum. In 2024, the Committee met on seven occasions.

BRC is supported by five executive risk committees, each focusing on particular disciplines of risk. These committees are decision making in nature and operate within delegated mandates and limits provided by the Board / BRC. The Society's committee structure as at 31 December 2024 is set out at figure 2.

Annex III: Risk Management Objectives and Policies

Figure 2: Governance structure



Three lines of defence model and the Risk division

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

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

The Risk division is independent from the first line business divisions and ensures a consistent approach to risk management is adopted enterprise wide. It is led by the Chief Risk Officer, who reports directly to the Deputy Chief Executive Officer, and also has accountability to the Chair of the BRC. The Risk division is made up of specialist teams, aligned to key risk disciplines, to provide oversight and independent challenge of first line activities. There have been no changes to the structure of the Risk division during 2024.

Annex III: Risk Management Objectives and Policies

Figure 3: Risk division structure

Policy framework

The Society operates a tiered policy framework (policies, standards and procedures) to cascade minimum control standards and risk appetite into day-to-day operations. This framework provides full coverage of the Society's principal risk categories.

Risk culture

Risk culture is an essential element of effective risk management, underpinning how our ERMF is embedded across the business and into decision making. The ERMF includes a risk culture framework, designed around four components:

- Tone from the top and desired behaviours – The Board and Senior Leadership Team are expected to demonstrate our behaviours to set the tone for all colleagues.
- Accountability - Individuals at all levels are held accountable for risk management, to support the delivery of our Strategy and business objectives.
- Effective communication – An environment of open and transparent communication is encouraged around all risk management expectations. Furthermore, all colleagues are encouraged to raise a concern without fear of retribution, victimisation or detriment, should they encounter or suspect wrongdoing, through our Speak Up procedures.
- Incentives and performance management – An appropriate incentive scheme and other HR frameworks are operated to promote, and align with, the desired risk culture. As part of these frameworks, the Society provides appropriate training for the Board and wider colleagues to support a risk aware culture.

c) Declaration approved by the management body on the adequacy of the risk management arrangements (Point (e) of Article 435(1) CRR)

Through the Board Risk Committee and the Audit Committee, the Board oversees the development, implementation and maintenance of the Society's ERMF and monitors performance of the Society's risk management processes and internal control environment throughout the year.

Based on this activity, the Board has concluded that the Society's ERMF continued to be adequate, reflective of the Society's size and risk profile, and operated effectively during 2024 allowing risks to be appropriately identified and managed.

Annex III: Risk Management Objectives and Policies

UK OVA d) Scope and nature of risk disclosure and/or measurement systems (Point (c) of Article 435(1) CRR);

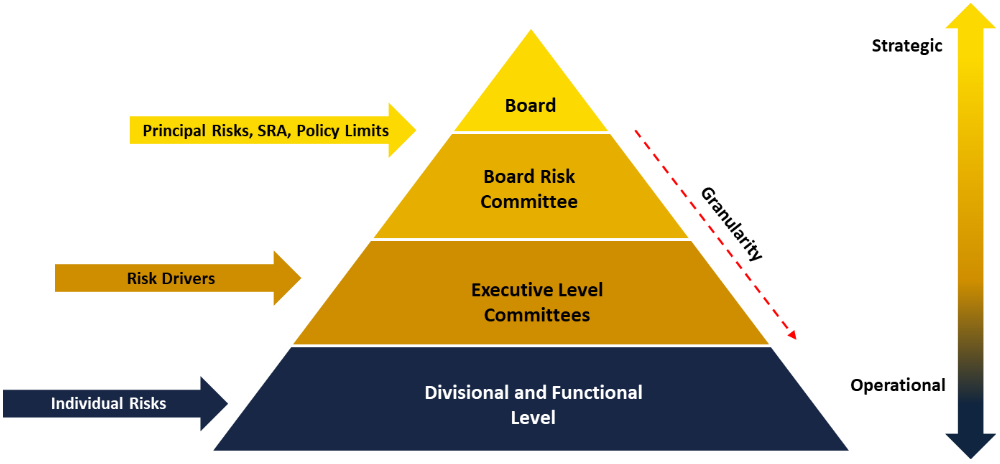
UK OVA e) Information on the main features of risk disclosure and measurement systems (Point (c) of Article 435(1) CRR); and

UK OVB e) Description on the Information flow on risk to the management body (Point (e) of Article 435(2) CRR)

The Society maintains an appropriate risk reporting and data management infrastructure to ensure that the right information is provided to the right people at the right time. This is facilitated by Information Technology, which is used across various risk management activities to support the delivery of the Society's Strategy and Corporate Objectives.

Regular risk reporting through our governance structure provides clarity on our current and potential risk profile and is structured to ensure there is an appropriate balance of detail and frequency and operational vs strategic level risks.

Figure 4: Risk reporting hierarchy



Risk management related technology and systems are used across the organisation, including for data collection and storage, risk analysis and monitoring, control and risk information, and communication.

The Board review of effectiveness set out above (in (c)) considers the design and the implementation of the ERMF across all principal risk categories. This evaluation is based on a summary activity conducted throughout the year including:

- Annual update of the ERMF and Risk Strategy;
- Triennial review of Risk Strategy;
- Semi-annual Risk and Control Self Assessments;
- A program of critical control testing;
- Periodic independent second and third line reviews; and
- Periodic external assurance.

f) Strategies and processes to manage risks for each separate category of risk (Point (a) of Article 435(1) CRR); and

g) Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants (Point (a) of Article 435(1) CRR)

Risk management and mitigation

In order to achieve its Strategy and associated Corporate Objectives, the Society operates clearly defined risk assessment and management processes to identify, assess and respond to new or emerging risks. The Society utilises a variety of risk mitigation strategies, policies and processes to manage financial and non-financial exposures, including risk avoidance, risk limitation, risk transfer and risk acceptance. More detailed risk-specific considerations can be found in the principal risk section of our 2024 Annual Report and Accounts.

The Society monitors its risk assessment and management processes to proactively identify and adjust to changes in risk profile and to understand the effectiveness of implementing risk treatment strategies. This includes inputs from incident management processes, external environment monitoring, Key Risk Indicators and SRA / policy limits, Risk and Control Self Assessments, and integrated assurance across the second and third lines of defence.

Stress testing

Stress testing is another risk management tool used to understand vulnerabilities within our business model, support the Board in setting strategy and SRA, and manage our capital and liquidity resources. Our approach to stress testing is defined within a stress testing framework (part of the ERMF), including an annual programme of stress testing activity, which informs our corporate planning process and the calibration of SRA. The key components of the stress testing programme are set out in pages 45 to 46 of the ARA.

4.2 UK OVB: Disclosure on Governance Arrangements

a) The number of directorships held by members of the management body (Point (a) of Article 435(2) CRR)

The number of directorships held by Executive and Non-Executive Directors, including those in Leeds Building Society, are shown below.

Executive and Non-Executive Directorships as at 31 December 2024

Name	Appointments	Type of Directorship	Total directorships held pursuant under the scope of Article 91(3) and (4) of Directive (EU) 2013/361("CRD")	Total Directorships Held
Iain Cornish	Leeds Building Society	Non-Executive Director	Non-Executive (2)	3
	Macmillan Cancer Support	Trustee		
	Leeds Beckett University	Non-Executive Director		
Gareth Hoskin	Leeds Building Society	Non-Executive Director	Non-Executive (2)	3
	Saga plc	Non-Executive Director		
	Acromas Insurance Company Ltd	Non-Executive Director		
Annette Barnes	Leeds Building Society	Non-Executive Director	Non-Executive (3)	3
	Globaldata plc	Non-Executive Director		
	Stratos Markets Limited (trading as FXCM UK and Tradu)	Non-Executive Director		
Neil Fuller	Leeds Building Society	Non-Executive Director	Non-Executive (2)	2
	Cynergy Bank Ltd	Non-Executive Director		
David Fisher	Leeds Building Society	Non-Executive Director	Non-Executive (1)	1
Anita Tadayon	Leeds Building Society	Non-Executive Director	Non-Executive (1) Executive Director (1)	2
	Tadayon Consulting Ltd	Executive Director		

Annex III: Risk Management Objectives and Policies

Name	Appointments	Type of Directorship	Total directorships held pursuant under the scope of Article 91(3) and (4) of Directive (EU) 2013/361(“CRD”)	Total Directorships Held
Farah Buckley	Leeds Building Society	Non-Executive Director	Non-Executive (5) [1]	5
	Aurora UK Alpha plc	Non-Executive Director		
	Apollo Syndicate Management Limited	Non-Executive Director		
	Long Term Assets Limited	Non-Executive Director		
	Caledonia Investments plc	Non-Executive Director		
Pam Rowland	Leeds Building Society	Non-Executive Director	Non-Executive (2)	2
	Saga Services Limited	Non-Executive Director		
Brendan McCafferty	Leeds Building Society	Non-Executive Director	Non-Executive (3)	12
	Academy Insurance Services Ltd	Non-Executive Director		
	Salinas Midco Limited	Non-Executive Director		
	Vmans Limited	Non-Executive Director		
	The Unbeatable Group Limited	Non-Executive Director		
	Beyond Doubt Holdings Limited	Non-Executive Director		
	Salinas Topco Limited	Non-Executive Director		
	Caritas Diocese of Salford	Trustee		
	Catholic Truth Society (Diocese of Salford)	Trustee		
	Blueprint Trust	Trustee		
	The Salford Diocesan Trust	Trustee		
	National Employment Savings Trust (NEST)	Non-Executive Director		
Richard Fearon	Leeds Building Society	Executive Director	Executive Director (1) Non-Executive (1)	2
	UK Finance Ltd	Non-Executive Director		
Andrew Conroy	Leeds Building Society	Executive Director	Executive Director (1)	4
	Saltmine Trust	Trustee		
	Leeds Mortgage Funding Ltd	Executive Director		
	Arkose Funding Ltd	Executive Director		
Andrew Greenwood	Leeds Building Society	Executive Director	Executive Director (1)	1
Rob Howse	Leeds Building Society	Executive Director	Executive Director (1)	2
	The Grammar School at Leeds	Trustee		

b) Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise (Point (b) of Article 435(2) CRR)

The Nominations Committee is responsible for ensuring the Board consists of individuals who are deemed fit and proper under the Senior Managers’ Regime and includes an appropriate range of diverse backgrounds and skills to direct the

[1] Under SYSC 4.3A.6R/GOR 5.5, there is a maximum of four Non-Executive Directorship roles, which can be held by a member of the management body. Owing to the non-material nature of some of Farah’s additional roles and low time commitment, the regulators agreed to a modification of the rules (under Section 138A of the FSMA) up until 1 July 2025. From 31st January 2025, Farah resigned from her position with Long Term Assets Limited and, therefore, a waiver is no longer required.

delivery of the Society's Purpose and strategic objectives. In this context, the Committee undertakes a full review of board skills and experience, diversity, and succession at least annually.

During the early stages of a recruitment process, the Nominations Committee defines the Board's requirements through an evaluation of the current blend of skills, knowledge, and diversity, as well as future challenges and opportunities, which the Society might face. Based on this assessment, a description of the role and capabilities is prepared and shared with approved independent external advisers to identify a diverse list of suitable candidates. This process was used by the Committee in early 2024, in its search for the new Chair of the Board.

The Society operates a rigorous and transparent recruitment process to select the best candidate for the role, based upon merit and a set of objective criteria. This involves multiple interviews, with a range of different people, detailed referencing, and other checks, including fitness and propriety. Regulatory approval is also necessary for certain Board roles and will be sought for the new Chair appointment.

In addition to this new external appointment, the Board, under the guidance of the Nominations Committee, approved successors for the role of Chair of Board Audit Committee and Senior Independent NED, as the existing role holder will step down early 2025. Refer to the Nominations Report in ARA for further details.

The skills, experience and contribution of each Board Director is described within the Governance report on pages 91 to 97 in the Society's 2024 Annual Report and Accounts.

c) Information on the diversity policy with regard of the members of the management body (Point (c) of Article 435(2) CRR)

The Society strongly believes in the value of a diverse and inclusive Board and colleague population more broadly. We believe the diversity of skills, experience, backgrounds, opinions, and other differences, including gender and race strengthens the capability of the Board and, therefore, the effectiveness of its independence, judgement and decision making.

All Board appointments are based on merit against objective criteria which reflect the skills and experience of the Board as a whole and consider the benefits of diversity. The Society works with a variety of executive search firms to ensure a wide talent pool and insists on diverse shortlists for all roles.

To support its commitment to diversity, the Board has approved targets in relation to gender and ethnicity. In 2022, the Society updated its Board measures reflecting on the Financial Conduct Authority (FCA) expectations. Whilst the FCA rules did not apply to us we updated our measures to include a minimum 30% female representation at Board, aligned to the Hampton Alexander Review. We end the year with 31% representation. In addition, we adopted a 2030 target to have at least one senior board position to be held by a woman (Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director (SID)) and given recent Board changes we will have a female in our SID position in 2025, subject to regulatory approval. We also adopted the target of at least one member of the board to be from an ethnic minority background, which is a target we are currently exceeding (8%).

d) Information whether or not the Society has set up a separate risk committee and the frequency of the meetings (Point (d) of Article 435(2) CRR)

See UK OVA b).

e) Description on the Information flow on risk to the management body (Point (e) of Article 435(2) CRR)

See UK OVA d) and e).

5 Annex V: Scope of Application

This document has been prepared in relation to Leeds Building Society. For accounting purposes, the Society's consolidation group comprises the Society and all of its subsidiary entities. The Society is regulated by the FCA and the PRA.

5.1 UK LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk

	Table 5 (UK LI1) : Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	31 December 2024						
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		a	b	c	d	e	f	g
	Breakdown by asset class according to the balance sheet in the published financial statements							
1	Cash in hand and balances with the Bank of England	2,443.2	2,443.2	2,443.2	-	-	-	-
2	Loans and advances to credit institutions	152.3	152.3	152.3	-	-	-	-
3	Investment securities	3,950.0	3,950.0	3,312.4		637.6	-	-
4	Derivative financial instruments	371.1	371.1	-	371.1	-	-	-
5	Loans fully secured on residential property	24,402.7	24,402.7	24,402.7	-	-	-	-
6	Other loans	147.8	147.8	147.8	-	-	-	-
7	Fair value adjustment for hedged risk on loans and advances to customers	(173.1)	(173.1)	-	-	-	-	(173.1)
8	Other assets, prepayments and accrued income	238.1	238.1	16.0	-	-	-	222.1
9	Current tax assets	-	-	-	-	-	-	-
10	Deferred tax assets	-	-	-	-	-	-	-
11	Intangible assets	35.1	35.1	-	-	-	-	35.1
12	Property, plant and equipment	45.4	45.4	45.4	-	-	-	-
13	Retirement benefit surplus	-	-	-	-	-	-	-
14	**Total assets**	**31,612.6**	**31,612.6**	**30,519.8**	**371.1**	**637.6**	**-**	**84.1**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
15	Shares	24,529.8	24,529.8	-	-	-	-	24,529.8
16	Fair value adjustment for hedged risk on shares	8.8	8.8	-	-	-	-	8.8
17	Derivative financial instruments	98.0	98.0	-	98.0	-	-	-
18	Amounts owed to credit institutions	1,244.2	1,244.2	-	-	-	-	1,244.2
19	Amounts owed to other customers	159.3	159.3	-	-	-	-	159.3
20	Debt securities in issue	3,131.7	3,131.7	-	-	-	-	3,131.7
21	Other liabilities and accruals	347.3	347.3	-	-	-	-	347.3
22	Current tax liabilities	0.6	0.6	-	-	-	-	0.6
23	Deferred tax liabilities	25.6	25.6	-	-	-	-	25.6
24	Provisions for liabilities and charges	4.2	4.2	-	-	-	-	4.2
25	Retirement benefit obligation	0.5	0.5	-	-	-	-	0.5
26	Subordinated liabilities	334.2	334.2	-	-	-	-	334.2
27	Subscribed capital	8.0	8.0	-	-	-	-	8.0
28	**Total liabilities**	**29,892.2**	**29,892.2**	**-**	**98.0**	**-**	**-**	**29,794.2**

Annex V: Scope of Application

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories		31 December 2023						
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		a	b	c	d	e	f	g
Breakdown by asset class according to the balance sheet in the published financial statements								
1	Cash in hand and balances with the Bank of England	2,830.0	2,830.0	2,830.0	-	-	-	-
2	Loans and advances to credit institutions	213.7	213.7	213.7	-	-	-	-
3	Investment securities	2,515.6	2,515.6	2,152.6	-	363.0	-	-
4	Derivative financial instruments	443.6	443.6	-	443.6	-	-	-
5	Loans fully secured on residential property	21,782.9	21,782.9	21,782.9	-	-	-	-
6	Other loans	158.3	158.3	158.3	-	-	-	-
7	Fair value adjustment for hedged risk on loans and advances to customers	(132.3)	(132.3)	-	-	-	-	(132.3)
8	Other assets, prepayments and accrued income	224.1	224.1	15.1	-	-	-	209.0
9	Current tax assets	9.8	9.8	9.8	-	-	-	-
10	Deferred tax assets	3.0	3.0	-	-	-	-	3.0
11	Intangible assets	29.8	29.8	-	-	-	-	29.8
12	Property, plant and equipment	64.5	64.5	64.5	-	-	-	-
13	Retirement benefit surplus	2.9	2.9	-	-	-	-	2.9
14	**Total assets**	**28,145.9**	**28,145.9**	**27,226.8**	**443.6**	**363.0**	**-**	**112.4**
Breakdown by liability classes according to the balance sheet in the published financial statements								
15	Shares	20,793.0	20,793.0	-	-	-	-	20,793.0
16	Fair value adjustment for hedged risk on shares	31.9	31.9	-	-	-	-	31.9
17	Derivative financial instruments	233.0	233.0	-	233.0	-	-	-
18	Amounts owed to credit institutions	1,869.3	1,869.3	-	-	-	-	1,869.3
19	Amounts owed to other customers	169.9	169.9	-	-	-	-	169.9
20	Debt securities in issue	2,708.6	2,708.6	-	-	-	-	2,708.6
21	Other liabilities and accruals	300.2	300.2	-	-	-	-	300.2
22	Current tax liabilities	0.0	0.0	-	-	-	-	0.0
23	Deferred tax liabilities	38.4	38.4	-	-	-	-	38.4
24	Provisions for liabilities and charges	1.3	1.3	-	-	-	-	1.3
25	Subordinated liabilities	323.9	323.9	-	-	-	-	323.9
26	Subscribed capital	33.0	33.0	-	-	-	-	33.0
27	**Total liabilities**	**26,502.5**	**26,502.5**	**-**	**233.0**	**-**	**-**	**26,269.5**

5.2 UK LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Table 6 (UK LI2): Main sources of differences between regulatory exposure amounts and carrying values in financial statements £m		31 December 2024 Total a	Items subject to: Credit risk framework b	Securitisation framework c	CCR framework d	Market risk framework e
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	**31,528.5**	**30,519.8**	**637.6**	**371.1**	**-**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	**98.0**	**-**	**-**	**98.0**	**-**
3	**Total net amount under the regulatory scope of consolidation**	**31,430.5**	**30,519.8**	**637.6**	**273.1**	**-**
4	Off-balance-sheet amounts	1,654.1	1,654.1	-	-	-
5	Differences in valuations	(4.8)	(4.8)	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	(29.2)	(29.2)	-	-	-
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(95.4)	-	-	(95.4)	-
9	Differences due to credit conversion factors	(1,320.3)	(1,320.3)	-	-	-
10	Differences due to Securitisation with risk transfer	-	-	-	-	-
11	Other differences	310.2	116.7	-	193.5	-
12	**Exposure amounts considered for regulatory purposes**	**31,945.1**	**30,936.3**	**637.6**	**371.2**	**-**

Main sources of differences between regulatory exposure amounts and carrying values in financial statements £m		31 December 2023 Total a	Items subject to: Credit risk framework b	Securitisation framework c	CCR framework d	Market risk framework e
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	**28,033.5**	**27,226.8**	**363.0**	**443.6**	**-**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	**233.0**	**-**	**-**	**233.0**	**-**
3	**Total net amount under the regulatory scope of consolidation**	**27,800.4**	**27,226.8**	**363.0**	**210.6**	**-**
4	Off-balance-sheet amounts	1,282.0	1,282.0	-	-	-
5	Differences in valuations	(3.5)	(3.5)	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	(20.9)	(20.9)	-	-	-
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(59.5)	-	-	(59.5)	-
9	Differences due to credit conversion factors	(1,022.6)	(1,022.6)	-	-	-
10	Differences due to Securitisation with risk transfer	-	-	-	-	-
11	Other differences	223.8	65.5	-	158.3	-
12	**Exposure amounts considered for regulatory purposes**	**28,199.6**	**27,527.2**	**363.0**	**309.3**	**-**

Annex V: Scope of Application

5.3 UK LI3: Outline of the differences in the scopes of consolidation (entity by entity)

Table 7 (UK LI3): Outline of the differences in the scopes of consolidation (entity by entity)		Method of regulatory consolidation					Description of the entity
Name of the entity a	Method of accounting consolidation b	Full consolidation c	Proportional consolidation d	Equity method e	Neither consolidated nor deducted f	Deducted g	h
Leeds Building Society	Full consolidation	X					Credit Institution
Leeds Mortgage Funding Limited	Full consolidation	X					Non-trading
Leeds Building Society Covered Bonds LLP	Full consolidation	X					Provision of mortgage assets and guarantor of covered bonds
Leeds Covered Bonds Designated Member (No. 1) Limited	Full consolidation	X					First designated member of Leeds Building Society Covered Bonds LLP
Leeds Covered Bonds Designated Member (No. 2) Limited	Full consolidation	X					Second designated member of Leeds Building Society Covered Bonds LLP
Leeds Covered Bonds Holdings Limited	Full consolidation	X					Holding company to both Leeds Covered Bonds Designated Member (No. 1) & (No. 2) Limited
Albion No. 5 plc	Full consolidation	X					Provision of residential mortgaged backed securities
Albion No. 5 Holdings Limited	Full consolidation	X					Holding company to Albion No. 5 plc
Albion No. 6 plc	Full consolidation	X					Provision of residential mortgaged backed securities
Albion No. 6 Holdings Limited	Full consolidation	X					Holding company to Albion No. 6 plc

Further information on the Society's subsidiaries can be found in note 15 to the Annual Report and Accounts for the year ended 31 December 2024.

5.4 UK LIA: Explanations of differences between accounting and regulatory exposure amounts

a) Differences between columns (a) and (b) in template UK LI1

There are no differences between the carrying values reported in columns a and b because no entities are derecognised from the accounting balance sheet for regulatory purposes.

b) Qualitative information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template UK LI2

The amounts considered for regulatory purposes shown in template UK LI2 differ to the carrying values under the regulatory scope of consolidation due to the inclusion of off-balance sheet items, subject to credit conversion factors, for prudential purposes. In addition, the exposure value of derivatives calculated under the regulatory counterparty credit risk framework differs from their accounting carrying value under IFRS. Other differences shown in row 11 primarily relate to regulatory add-ons to carrying values in line with the UK CRR including potential future credit exposure add-ons for derivative financial instruments.

5.5 UK LIB: Other qualitative information on the scope of application

a) Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group

There are no significant restrictions on the prompt transfer of capital resources or repayment of liabilities between the Society and its subsidiary undertakings, subject to their financial and operating performance and availability of distributable reserves.

Annex V: Scope of Application

b) Subsidiaries not included in the consolidation with own funds less than required

No subsidiaries are excluded in the consolidation.

c) Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR

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

d) Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation

Not applicable to the Society. No subsidiaries are excluded in the consolidation.

5.6 UK PV1: Prudent Valuation Adjustments (PVA)

The society does not apply the core approach for the determination of the additional valuation adjustment for prudent valuation.

6 Annex VII: Own Funds

6.1 UK CC1: Composition of regulatory own funds

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

	Table 8 (UK CC1): Composition of regulatory own funds	Transitional Dec-24 a	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation (see table 10 UK-CC2) b	Transitional Dec-23 a
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	-		-
2	Retained earnings	1,547.3	f	1,414.6
3	Accumulated other comprehensive income (and other reserves)	73.3	g, h, I, j	95.0
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-		-
5	Minority interests (amount allowed in consolidated CET1)	-		-
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	99.9	f	133.9
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,720.5**		**1,643.4**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional valuation adjustment	(4.8)		(3.5)
8	Intangible assets	(35.1)	b	(29.8)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-	a	(3.0)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(66.6)	g	(74.3)
12	Negative amounts resulting from the calculation of expected loss amounts	(29.2)		(20.9)
15	Defined-benefit pension fund assets	-	c	(2.9)
27a	Other regulatory adjustments to CET1 capital (inc. IFRS 9 transitional adjustments)	-		-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(135.6)**		**(134.6)**
29	**Common Equity Tier 1 (CET1) capital**	**1,584.9**		**1,508.9**
	Additional Tier 1 (AT1) capital: instruments			
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	d	-
44	**Additional Tier 1 (AT1) capital**	**-**		**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,584.9**		**1,508.9**
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	6.9	e	8.0
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	d	25.0
50	Credit risk adjustments	3.1		9.9
58	**Tier 2 (T2) capital**	**10.1**		**43.0**
59	**Total capital (TC = T1 + T2)**	**1,595.0**		**1,551.8**
60	**Total Risk exposure amount**	**6,171.0**		**5,355.1**
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	25.68%		28.18%
62	Tier 1 (as a percentage of total risk exposure amount)	25.68%		28.18%
63	Total capital (as a percentage of total risk exposure amount)	25.85%		28.98%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)[2]	15.40%		15.59%
65	of which: capital conservation buffer requirement	2.50%		2.50%
66	of which: countercyclical buffer requirement	2.00%		2.00%
67	of which: systemic risk buffer requirement	0.00%		0.00%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00%		0.00%
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**14.78%**		**17.09%**
	Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-		-
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-		-
	Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	4.5		4.6
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	3.1		9.9
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	31.0		26.5

[2] Comparative has been restated to include CET1 capital requirements considering Article 92 CRR and 104a CRD.

Annex VII: Own Funds

Common Equity Tier 1

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

At 31 December 2024, a CET1 regulatory deduction of £35.1m has been made (31 December 2023: £29.8m) relating to intangible assets, which are not eligible capital. An additional valuation adjustment of £4.8m was also deducted in 2024 (31 December 2023: £3.5m). There was no deduction relating to pension surplus (31 December 2023: £2.9m) or deferred tax assets (31 December 2023: £3.0m).

The Society chose to adopt the IFRS 9 transitional arrangements associated with the move from IAS 39 to IFRS 9. There was no add-back adjustment to CET1 at 31 December 2024 (31 December 2023: nil) as there was no negative impact arising from expected credit loss accounting under IFRS 9 compared to IAS39. The implementation of IFRS 9 does not have a significant impact on the Society's capital position due to the Society being granted IRB permission by the PRA in 2018 and the majority of the book being assessed under this approach.

As the Society is regulated under the IRB approach an adjustment to CET1 was required to account for the shortfall in provision that relates to the difference between regulatory expected losses and IFRS 9 provisions. The calculation is performed separately for accounts in and out of default. For accounts not in default, the assessment at the end of 2024 resulted in a deduction of £29.2m (31 December 2023: £20.9m).

The Society applies macro cash flow hedge accounting to a portion of its floating rate financial liabilities which are designated in the hedge alongside interest rate swaps that have been transacted to economically hedge mortgage applications, prior to completion of the mortgage. At 31 December 2024, £66.6m (31 December 2023: £74.3m) fair value reserves relating to gains or losses on cash flow hedges were included in row 3 of table 8 (UK CC1) and have been deducted from CET1 capital on row 11 in line with CRR.

Additional Tier 1 (AT1)

The Society has no qualifying AT1 instruments.

Tier 2 capital

Due to the strength of the Society's current capital position, in April 2024, the Society repurchased its £25.0m of Permanent Interest Bearing Shares (PIBS), which has reduced both total capital and MREL resources. At 31 December 2024, Tier 2 capital was primarily comprised of £6.9m[3] of subordinated debt. As the Society is regulated under the IRB approach an additional adjustment of £3.1m (31 December 2023: £9.9m) is required in Tier 2 capital to reflect the level of IFRS 9 provision over regulatory expected losses for cases in default.

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

[3] On 12 October 2023, the Society repurchased £192.0m of its £200.0m subordinated debt. As the residual £8.0m balance will mature in less than five years (April 2029), a proportion of this subordinated debt no longer qualifies as Tier 2 capital and is subject to amortisation but remains MREL eligible.

Annex VII: Own Funds

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

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

	Table 9 (UK CC2): Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Dec-24			Dec-23	
		Balance sheet as in published financial statements Dec-24	Under regulatory scope of consolidation Dec-24	Reference (see Table 9 UK-CC1)	Balance sheet as in published financial statements Dec-23	Under regulatory scope of consolidation Dec-23
£m		a	b	c	a	b
Assets - *Breakdown by asset class according to the balance sheet in the published financial statements*						
1	Cash in hand and balances with the Bank of England	2,443.2	2,443.2		2,830.0	2,830.0
2	Loans and advances to credit institutions	152.3	152.3		213.7	213.7
3	Investment securities	3,950.0	3,950.0		2,515.6	2,515.6
4	Derivative financial instruments	371.1	371.1		443.6	443.6
5	Loans fully secured on residential property	24,402.7	24,402.7		21,782.9	21,782.9
6	Other loans	147.8	147.8		158.3	158.3
7	Fair value adjustment for hedged risk on loans and advances to customers	(173.1)	(173.1)		(132.3)	(132.3)
8	Other assets, prepayments and accrued income	238.1	238.1		224.1	224.1
9	Current tax assets	-	-		9.8	9.8
10	Deferred tax assets	-	-	a	3.0	3.0
11	Intangible assets	35.1	35.1	b	29.8	29.8
12	Property, plant and equipment	45.4	45.4		64.5	64.5
13	Retirement benefit surplus	-	-	c	2.9	2.9
	Total assets	**31,612.6**	**31,612.6**		**28,145.9**	**28,145.9**
Liabilities - *Breakdown by liability class according to the balance sheet in the published financial statements*						
1	Shares	24,529.8	24,529.8		20,793.0	20,793.0
2	Fair value adjustment for hedged risk on shares	8.8	8.8		31.9	31.9
3	Derivative financial instruments	98.0	98.0		233.0	233.0
4	Amounts owed to credit institutions	1,244.2	1,244.2		1,869.3	1,869.3
5	Amounts owed to other customers	159.3	159.3		169.9	169.9
6	Debt securities in issue	3,131.7	3,131.7		2,708.6	2,708.6
7	Other liabilities and accruals	347.3	347.3		300.2	300.2
8	Current tax liabilities	0.6	0.6		0.0	0.0
9	Deferred tax liabilities	25.6	25.6		38.4	38.4
10	Provisions for liabilities and charges	4.2	4.2		1.3	1.3
11	Retirement benefit obligation	0.5	0.5		-	-
12	Subordinated liabilities	334.2	334.2	d	323.9	323.9
13	Subscribed capital	8.0	8.0	e	33.0	33.0
	Total liabilities	**29,892.2**	**29,892.2**		**26,502.5**	**26,502.5**
Shareholders' Equity						
1	General reserve	1,647.2	1,647.2	f	1,548.5	1,548.5
2	Cash flow hedge reserve	66.6	66.6	g	74.3	74.3
3	Fair value reserve	(9.3)	(9.3)	h	4.7	4.7
4	Revaluation reserve	1.6	1.6	i	1.6	1.6
5	Other reserve	14.3	14.3	j	14.3	14.3
	Total shareholders' equity	**1,720.4**	**1,720.4**		**1,643.4**	**1,643.4**
	Total liabilities and equity	**31,612.6**	**31,612.6**		**28,145.9**	**28,145.9**

Annex VII: Own Funds

6.3 UK CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

The main features of capital and MREL related instruments issued by the Society are set out below.

Table 10 (UK CCA): Main features of regulatory own funds instruments and eligible liabilities instruments		31 December 2024	
		Subordinated Debt	MREL
		a	a
1	Issuer	Leeds Building Society	Leeds Building Society
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1812121876	XS2314635934
2a	Public or private placement		
3	Governing law(s) of the instrument	English	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No
	Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	N/A
5	Post-transitional CRR rules	Tier 2	N/A
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Group Solo consolidated Society	Group Solo consolidated Society
7	Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Senior Non-Preferred
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	£6.9m	£350.0m
9	Nominal amount of instrument	£8.0m[4]	£350.0m
UK-9a	Issue price	98.36	99.38
UK-9b	Redemption price	100.00	100.00
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	25-Apr-18	16-Mar-21
12	Perpetual or dated	Dated	Dated
13	Original maturity date	25-Apr-29	16-Mar-27
14		Yes	No
15	Optional call date, contingent call dates and redemption amount	25-Apr-28	16-Mar-26
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	3.75%	1.50%
19	Existence of a dividend stopper	No	No
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	Subordinated	Senior
UK-34b	Ranking of the instrument in normal insolvency proceedings	2	1
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2 (Senior Non-Preferred)	Senior Non-Preferred (Senior Preferred)
36	Non-compliant transitional features	Yes	No
37	If yes, specify non-compliant features	No conversion	N/A
37a	Link to the full term and conditions of the intrument (signposting)	https://www.leedsbuildingsociety.co.uk/_resources/pdfs/treasury-pdfs/emtn-pdfs/final-terms-2029.pdf	https://www.leedsbuildingsociety.co.uk/_resources/pdfs/treasury-pdfs/emtn-pdfs/final-terms-2027.pdf

[4] In April 2018, the Society issued £200.0m of subordinated debt as part of its plans to meet its future end state MREL requirements. Due to the strength of the Society's capital position, the Society repurchased £192.0m of these notes for cash on 12 October 2023.

7 Annex IX: Countercyclical Capital Buffers

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

Table 11 has been prepared in accordance with CRD, article 140 and excludes exposures to central governments, central banks, regional governments, local authorities, public sector entities, multilateral development banks and institutions. Therefore, exposure values and total own funds requirements differ to elsewhere in these disclosures.

Table 11 (UK CCyB1): Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures	Total exposure value	Own funds requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Counter-cyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book		Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
		a	b	c	d	e	f	g	h	i	j	k	l	m
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			%
31 December 2024														
010	Breakdown by country													
	UK only	1,267.7	24,249.8	-	-	637.5	26,155.0	429.1	-	5.6	434.7	5,434.4	100.00%	2.000%
020	**Total**	**1,267.7**	**24,249.8**	**-**	**-**	**637.5**	**26,155.0**	**429.1**	**-**	**5.6**	**434.7**	**5,434.4**	**100.00%**	
31 December 2023														
010	Breakdown by country													
	UK only	1,276.9	21,703.1	-	-	363.0	23,343.0	368.6	-	2.9	371.5	4,644.3	100.00%	2.000%
020	**Total**	**1,276.9**	**21,703.1**	**-**	**-**	**363.0**	**23,343.0**	**368.6**	**-**	**2.9**	**371.5**	**4,644.3**	**100.00%**	

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

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

Table 12 below shows that the Society had an institution specific countercyclical capital buffer requirement of £123.4m (31 December 2023: £107.1m). The requirement results from multiplying the total risk exposure amount (the total credit risk weighted assets from table 4) by the buffer rate for that country and summing the result.

Table 12 (UK CCyB2): Amount of institution-specific countercyclical capital buffer		Dec-24	Dec-23
		a	b
1	Total risk exposure amount £m	**6,171.0**	5,355.1
2	Institution specific countercyclical buffer rate %	**2.000%**	2.000%
3	Institution specific countercyclical capital buffer requirement £m	**123.4**	107.1

8 Annex XI: Leverage Ratio

The leverage ratio calculation, specific to CRD V, is calculated as Tier 1 capital divided by total exposures (including on- and off-balance sheet items) without any consideration of underlying risk. The leverage ratio reinforces the risk-based capital requirements as a non-risk based 'backstop'. The leverage ratio is calculated on a fully loaded basis. Fully loaded Tier 1 Capital does not include IFRS 9 transitional adjustments (2024: nil; 2023: nil).

The UK leverage ratio is specific to the UK regulatory regime and only applies to financial institutions with deposits of £50bn or more, however, it is monitored by the Society as part of its Purpose Scorecard for information. The calculation excludes deposits with central banks from the leverage exposure measure.

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

Table 13 (UK LR1) : Summary reconciliation of accounting assets and leverage ratio exposures		Dec-24 a £m	Dec-23 a £m
1	Total assets as per published financial statements	31,612.6	28,145.9
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for exemption of exposures to central banks)	(2,977.9)	(3,083.1)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	-	-
8	Adjustment for derivative financial instruments	0.4	(133.9)
9	Adjustment for securities financing transactions (SFTs)	-	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	333.8	259.4
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	-	-
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-	-
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	-	-
12	Other adjustments	(69.1)	(60.2)
13	**Total exposure measure**	**28,899.8**	**25,128.1**

Annex XI: Leverage Ratio

8.2 UK LR2: Leverage ratio common disclosure

Table 14 (UK LR2): Leverage ratio common disclosure		Dec-24 a £m	Dec-23 b £m
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	31,241.4	27,702.3
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(69.0)	(60.2)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**31,172.4**	**27,642.0**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	277.7	236.1
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	93.8	73.7
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-	-
UK-9b	Exposure determined under the original exposure method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**371.5**	**309.7**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-	-
17	Agent transaction exposures	-	-
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	-	-
18	**Total securities financing transaction exposures**	**-**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	1,654.1	1,282.0
20	(Adjustments for conversion to credit equivalent amounts)	(1,320.3)	(1,022.6)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated associated with off-balance sheet exposures)		-
22	**Off-balance sheet exposures**	**333.8**	**259.4**
	Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-	-
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	-	-
UK-22g	(Excluded excess collateral deposited at triparty agents)	-	-
UK-22k	**(Total exempted exposures)**	**-**	**-**
	Capital and total exposure measure		
23	**Tier 1 capital (leverage)**	1,584.9	1,508.9
24	Total exposure measure including claims on central banks	31,877.7	28,211.2
UK-24a	(-) Claims on central banks excluded	(2,977.9)	(3,083.1)
UK-24b	**Total exposure measure excluding claims on central banks**	**28,899.8**	**25,128.1**
	Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	5.48%	6.00%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.48%	6.00%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	5.48%	6.00%
UK-25c	Leverage ratio including claims on central banks (%)	4.97%	5.35%
26	Regulatory minimum leverage ratio requirement (%)	LREQ only	LREQ only
	Additional leverage ratio disclosure requirements - leverage ratio buffers		
27	Leverage ratio buffer (%)	LREQ only	LREQ only
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	LREQ only	LREQ only
UK-27b	Of which: countercyclical leverage ratio buffer (%)	LREQ only	LREQ only
	Additional leverage ratio disclosure requirements - disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	LREQ only	LREQ only
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	LREQ only	LREQ only
UK-31	Average total exposure measure including claims on central banks	LREQ only	LREQ only
UK-32	Average total exposure measure excluding claims on central banks	LREQ only	LREQ only
UK-33	Average leverage ratio including claims on central banks	LREQ only	LREQ only
UK-34	Average leverage ratio excluding claims on central banks	LREQ only	LREQ only

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

Table 15 (UK LR3) : Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		Dec-24 a £m	Dec-23 a £m
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**31,241.4**	**27,702.3**
UK-2	Trading book exposures	-	-
UK-3	Banking book exposures, of which:	31,241.4	27,702.3
UK-4	Covered bonds	612.9	748.7
UK-5	Exposures treated as sovereigns	5,132.8	4,132.9
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-	-
UK-7	Institutions	152.3	311.1
UK-8	Secured by mortgages on immovable properties	24,195.3	21,656.8
UK-9	Retail exposures	-	-
UK-10	Corporates	-	-
UK-11	Exposures in default	164.1	137.3
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	984.1	715.3

The movement in other exposures primarily reflects an increase in the Society's exposure to securitisation positions (see section 16).

8.4 UK LRA: Disclosure of LR qualitative information

a) Processes used to manage the risk of excessive leverage

The Society considers both risk-based capital requirements and non-risk-based leverage requirements when determining the Society's strategy and has adopted a range of performance metrics over and above the regulatory minimum as the Society's risk appetite. Capital adequacy is monitored on a monthly basis against a number of key metrics, including the UK leverage ratio, to ensure that it stays within the Board's risk appetite and above the regulatory minima.

The Society projects the leverage ratios over a five year period both as part of its annual corporate plan refresh and via a range of stress test scenarios to ensure that leverage resources are sufficient in both normal and stressed economic conditions. Risk appetite limits are set against a clearly defined threshold system (Black; Red; Amber; Green; Yellow) which act as early warning indicators to ensure sufficient time for management action to restore the capital position, either by increasing capital resources or reducing the size of the balance sheet as appropriate. As the risk of material unexpected movements in the leverage ratio is limited due to the relative stability of the residential mortgage balances that form most of the Society's exposure, the most likely corrective action would be to reduce the size of the balance sheet via a reduction in new lending over the five year planning horizon.

b) Factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

The Society's UK leverage ratio has decreased during the year from 6.00% in December 2023 to 5.48%. The main driver of the change in the UK leverage ratio was a £3,771.7m increase in leverage exposure, primarily due to higher net retail lending in the period and an increase in the amount of investment securities held, partly offset by a £76.0m increase in fully loaded Tier 1 capital driven by earnings after tax. The leverage ratio including deposits with central banks reduced to 4.97% (31 December 2023: 5.35%).

9 Annex XIII: Liquidity Requirements

9.1 UK LIQA: Liquidity Risk Management

a) Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding

The Society manages liquidity and funding risks within its Risk Management Framework which includes its policy, strategy, limit setting and monitoring, stress testing and robust governance controls. The Society aims to ensure that, at all times, it holds sufficient high-quality liquid assets, both of amount and quality, as well as having access to additional off-balance sheet liquidity, to cover cash flow mismatches, fluctuations in funding and ensure sufficient funds to meet obligations as they fall due and retain the ability to access funding at a reasonable cost. This is achieved through management and stress testing of business cash flows, setting appropriate risk limits to maintain a prudent funding mix and maturity profile, and maintaining sufficient levels of high-quality liquid assets and appropriate encumbrance levels.

b) Structure and organisation of the liquidity risk management function

The Board is responsible for setting liquidity and funding risk appetite and ALCo is responsible for monitoring the Society's liquidity and funding risk profile within this defined appetite. Liquidity and funding risk is managed and reported by segregated teams within Treasury and Finance functions in line with the Society's Enterprise Risk Management Framework. The Society operates a Three Lines of Defence model to provide challenge, oversight and assurance of Treasury activity.

c) Description of the degree of centralisation of liquidity management and interaction between the group's units

The Society manages its liquidity at a group level through its centralised Treasury function.

d) Scope and nature of liquidity risk reporting and measurement systems.

The Society's position against internal and regulatory metrics is monitored and reported on a regular basis, using its Treasury and ALM Management systems.

e) Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

To mitigate liquidity and funding risks generated by its business activities, the Society aims to hold sufficient high-quality liquidity to meet its liquidity risk appetite which is set above regulatory minima.

The Society's liquidity risk appetite is driven by internal stress test scenarios and impacted by either the Liquidity outflows or the management actions the Society undertakes to counter the Stress.

f) Outline of the bank`s contingency funding plans.

The Society maintains a Recovery Plan, which includes early warning indicators which are monitored to identify signs of an emerging liquidity or funding stress, as well as escalation procedures and a range of actions that could be taken in response to ensure sufficient liquidity is maintained. The Recovery Plan is tested periodically to ensure it remains robust. The Recovery Plan also maintains a range of management actions that the Society could choose to deploy in Liquidity or Funding stress scenarios.

g) How stress testing is used.

Stress testing is a key component of the Society's approach to liquidity and funding risk. A range of stress tests are undertaken across multiple-time horizons based on internally generated and regulatory prescribed scenarios. These include regulatory stress test such as the LCR and the PRA110 Cashflow Mismatch Report (CFMR) stresses, as well as internally defined liquidity stress scenarios. Internal stress tests combined with regulatory requirements are used for setting liquidity risk appetite. Internal stress assumptions are reviewed regularly with changes approved annually by the Board as part of the Internal Liquidity Adequacy Assessment Process (ILAAP).

h) Declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution’s profile and strategy.

The Society undertakes assessment against the Overall Liquidity Adequacy Rule (OLAR) as part of its annually Board approved ILAAP. This includes setting appropriate risk limits, ensuring that a prudent liquidity and funding risk profile is maintained.

i) Concise liquidity risk statement approved by the management body succinctly describing the institution’s overall liquidity risk profile associated with the business strategy.

The Society's Board approved liquidity risk appetite statement has been constructed to ensure that it holds sufficient liquid assets at all times, both as to amount and quality, to cover cash flow mismatches and fluctuations in funding; retain public confidence; and meet financial obligations as they fall due. The risk appetite statement covers minimum Liquidity ratios and Survival periods under a range of liquidity stress scenarios. Throughout 2024 the Society has continued to meet its liquidity risk appetite statement at all times with its unencumbered High-Quality Liquid Assets (HQLA) ratio % SDL averaging 20.19% using the 12 month-ends (31 December 2023: 19.97%). Maturity limits are also in place to protect against funding concentration risk.

9.2 UK LIQ1: Quantitative information of LCR

Table 16 (UK LIQ1): Quantitative information of LCR		Total unweighted value (average)				Total weighted value (average)			
1a	Quarter ending: £m	Dec-24 a	Sep-24 b	Jun-24 c	Mar-24 d	Dec-24 e	Sep-24 f	Jun-24 g	Mar-24 h
1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	**Total high-quality liquid assets (HQLA)**					**5,266.1**	**5,133.4**	**5,144.7**	**4,885.2**
	CASH - OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	22,142.3	21,335.0	20,642.1	19,875.5	1,605.6	1,499.5	1,399.4	1,310.6
3	Stable deposits	9,622.3	9,321.2	9,065.8	8,794.4	481.1	466.1	453.3	439.7
4	Less stable deposits	12,520.0	12,013.8	11,576.2	11,081.1	1,124.5	1,033.5	946.1	870.9
5	Unsecured wholesale funding	111.1	86.9	71.5	47.4	86.8	59.8	45.3	22.9
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	47.7	50.9	46.1	42.8	23.3	23.9	19.9	18.3
8	Unsecured debt	63.5	35.9	25.4	4.6	63.5	35.9	25.4	4.6
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	477.3	442.7	433.6	389.4	477.3	442.7	433.6	389.4
11	Outflows related to derivative exposures and other collateral requirements	368.1	379.1	374.5	369.9	368.1	379.1	374.5	369.9
12	Outflows related to loss of funding on debt products	99.2	55.2	53.3	16.1	99.2	55.2	53.3	16.1
13	Credit and liquidity facilities	10.0	8.3	5.8	3.3	10.0	8.3	5.8	3.3
14	Other contractual funding obligations	47.0	45.9	42.1	31.1	27.0	26.4	23.6	17.5
15	Other contingent funding obligations	1,593.1	1,521.2	1,462.7	1,433.2	557.6	532.4	511.9	501.6
16	**TOTAL CASH OUTFLOWS**					**2,754.2**	**2,560.8**	**2,413.8**	**2,242.0**
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	174.8	168.2	165.9	161.3	147.6	140.4	138.6	134.0
19	Other cash inflows	104.6	99.0	86.8	82.9	104.6	99.0	86.8	82.9
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	**279.4**	**267.2**	**252.6**	**244.2**	**252.2**	**239.4**	**225.4**	**216.9**
UK-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
UK-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
UK-20c	*Inflows subject to 75% cap*	279.4	267.2	252.6	244.2	252.2	239.4	225.4	216.9
	TOTAL ADJUSTED VALUE								
UK-21	**LIQUIDITY BUFFER**					**5,266.1**	**5,133.4**	**5,144.7**	**4,885.2**
22	**TOTAL NET CASH OUTFLOWS**					**2,502.1**	**2,321.4**	**2,188.4**	**2,025.1**
23	**LIQUIDITY COVERAGE RATIO**					**214.3%**	**224.2%**	**237.8%**	**241.9%**

Annex XIII: Liquidity Requirements

9.3 UK LIQB: Qualitative information on LCR

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

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

b) Changes in the LCR over time

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

c) Actual concentration of funding sources

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

d) Composition of the institution's liquidity buffer

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

e) Derivative exposures and potential collateral calls

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

f) Currency mismatch in the LCR

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

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

There are no other relevant items.

9.4 UK LIQ2: Net Stable Funding Ratio

Table 17 (UK LIQ2): Net Stable Funding Ratio		Dec-24 Unweighted value by residual maturity (average)				Weighted value (average)
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		a	b	c	d	e
	Available stable funding (ASF) Items £m					
1	**Capital items and instruments**	**-**	**-**	**-**	**1,205.8**	**1,205.8**
2	Own funds	-	-	-	1,205.8	1,205.8
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**20,198.3**	**1,081.6**	**1,140.2**	**20,778.6**
5	Stable deposits		9,731.4	-	-	9,244.8
6	Less stable deposits		10,466.9	1,081.6	1,140.2	11,533.7
7	**Wholesale funding:**		**894.0**	**921.2**	**3,130.5**	**3,644.6**
8	Operational deposits		-	-	-	-
9	Other wholesale funding		894.0	921.2	3,130.5	3,644.6
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**9.3**	**584.8**	**-**	**-**	**-**
12	NSFR derivative liabilities	9.3				
13	All other liabilities and capital instruments not included in the above categories		584.8	-	-	-
14	**Total available stable funding (ASF)**					**25,628.9**
	Required stable funding (RSF) Items £m					
15	**Total high-quality liquid assets (HQLA)**					**198.8**
UK-15a	**Assets encumbered for more than 12m in cover pool**		**64.7**	**62.2**	**3,323.7**	**2,932.9**
16	**Deposits held at other financial institutions for operational purposes**		**-**	**-**	**-**	**-**
17	**Performing loans and securities:**		**279.7**	**235.9**	**19,286.5**	**14,566.0**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		21.4	-	-	2.1
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		0.2	0.2	14.5	12.5
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
22	Performing residential mortgages, of which:		219.0	217.4	19,222.8	14,480.8
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		182.9	182.0	14,529.4	10,454.6
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		39.1	18.3	49.2	70.5
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**2,083.9**	**5.4**	**669.4**	**861.7**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		203.1			172.7
29	NSFR derivative assets		-			-
30	NSFR derivative liabilities before deduction of variation margin posted		37.4			1.9
31	All other assets not included in the above categories		187.5	5.4	669.4	687.0
32	**Off-balance sheet items**		**1,655.9**	**-**	**-**	**0.5**
33	**Total RSF**					**18,559.9**
34	**Net Stable Funding Ratio (%)**					**140.3%**

10 Annex XV: Credit Risk Quality

10.1 UK CRA: General qualitative information about credit risk

a) Concise risk statement - how the business model translates into the components of the institution's credit risk profile

Credit risk is the risk that residential borrowers or wholesale counterparties fail to meet their current or future financial obligations. The Society is a Prime Residential mortgage lender which seeks to build and maintain credit portfolios that support the Society's purpose and maintains the capital strength to support our differentiated product mix through an economic cycle.

Credit risks are inherent across the Society's lending activities and may arise from changes in credit quality, such as a borrower's risk profile, and the recoverability of loans and amounts due from counterparties. Adverse changes in the credit quality of borrowers or a general deterioration in economic conditions could affect the recoverability and value of the Society's assets and therefore its financial performance. Comprehensive risk management methods and processes have been established as part of the Society's overall governance framework to measure, mitigate and manage credit risk within the Society's risk appetite.

Descriptions of retail and wholesale credit risk and their mitigation are included in the Principal Risks section of the Annual Report and Accounts for the year ended 31 December 2024 on pages 67 to 89.

b) Criteria and approach used for defining the credit risk management policy and for setting credit risk limits

At the Society, we lend in an affordable and sustainable way, ensuring that we can support our purpose of putting home ownership within reach of more people, generation after generation. Delivery of our purpose is underpinned by the effective identification and management of the risks we face – enabling us to make informed decisions which support our long term success, deliver consistent customer outcomes and protect the interests of current and future members.

Residential

The Society's Lending Policy includes a broad range of stock and flow limit structures to support the ongoing risk management of the book in line with the agreed credit risk appetite. The Society will only lend to customers who demonstrate that they can afford repayments via an affordability assessment at the point of origination, and we remain committed to helping customers who anticipate or find themselves in a period of financial difficulty.

With regards to new lending, residential credit risk is managed using the following tools:

- Credit scorecard assessment;
- Residential affordability assessment based on income and expenditure;
- Buy to Let (BTL) affordability assessment based on interest coverage ratio requirements using stressed interest rates;
- An appropriate valuation using independent expert appraisal of the suitability and value of a property or an Automated Valuation Model where specified criteria are met;
- Application of differentiated Loan to Value (LTV) controls; and
- Underwriting processes, which are a hybrid of computer systems and suitably qualified and mandated underwriters.

The Society's retail credit risk function monitors the asset quality of the portfolio, including forward looking scenario-based credit risk stress testing, on an ongoing basis. This identifies trends and potential risks, facilitating understanding of the portfolio, which is used to manage credit risk appetite over the course of an economic cycle.

The Society's Debt Management Policy outlines the key controls required to promote positive customer outcomes and the ongoing effectiveness of collections and recoveries activity. The key components relating to credit risk management are as follows:

Annex XV: Credit Risk Quality

- Highly trained and experienced colleagues to provide tailored support for customers in financial difficulty;
- Standards and backstops regarding the customer contact strategy;
- Availability of appropriate forbearance options and exit strategies and standards on appropriate use;
- Requirements around understanding individual customer circumstances including income and expenditure assessments clearly outlined; and
- A range of operational controls to ensure the safeguarding of collateral.

The Society has a dedicated Collections function, which seeks to engage with customers, at an early stage, to discuss potential financial difficulties. Forbearance options are determined on a case-by-case basis, with the aim of working with borrowers to clear arrears. Subject to assessment and meeting criteria, the Society is able to offer customers an appropriate range of options, including an extension of the mortgage term, a short-term temporary change to interest only, capitalisation of arrears, reduced monthly repayments, and transfer to an alternative product. The Society has also signed up to the Mortgage Charter, to help give borrowers necessary reassurance and support through the current period of economic uncertainty.

After all other options have been exhausted, the Society may take possession of the mortgaged property. Analysis of the Society's residential portfolio and forbearance activity is used to inform the provisioning policy. This ensures that the Society properly recognises losses, in accordance with its accounting policies.

Note 8 in the Society's Annual Report and Accounts details the provisions that are held against residential mortgages.

Wholesale

The Wholesale Credit Risk Policy sets out the framework for the management of Treasury-related counterparty credit risk and is approved by BRC annually. Acting within the confines of the Wholesale Credit Risk Policy and delegated authority from BRC and ALCo, the Treasury Credit Risk Delegated ALCo (TCRDA), which meets at least quarterly, regularly reviews and approves Treasury credit limits.

Due diligence on potential new Treasury counterparty limits and recommendations to TCRDA to amend existing limits is undertaken by the Asset and Liability Management (ALM) team, which is part of the Society's Treasury function. This review process typically involves a mix of qualitative and quantitative analysis. For financial institution counterparties this incorporates the outputs from the Society's credit risk assessment models. For securitisations, the process meets UK Securitisation Regulation requirements and includes cash-flow modelling and scenario testing. The Society also uses credit assessments provided by External Credit Assessment Institutions (ECAIs) - Moody's and Fitch, for backstop purposes.

The Society does not utilise credit derivatives; it only uses derivatives to reduce exposure to market risks.

c) Structure and organisation of the credit risk management and control function

Residential

Residential credit risk is overseen by a Credit Risk Function, reporting to the Chief Risk Officer, with oversight from Board Risk Committee. The Board delegates operational mandates (e.g. underwriting and collections) pertaining to the effective day-to-day running of the business via a Delegated Authorities Manual.

The Society maintains a tiered Policy Framework to establish and cascade Board approved directive limits and controls, which Management must follow to enable the safe delivery of the Society's Strategy. The level 1 controls and limits relating to Residential Credit Risk management activities are outlined in the Society's Lending and Debt Management policies which are subject to annual approval via Board and BRC respectively. A management Credit Committee provides oversight at a more granular level, including ongoing review and approval of level 2 limits.

There is also a suite of Primary and Secondary SRA limits relating to the ongoing management of credit risk appetite. These are reported through to Board on a monthly basis and are routinely tested against alternative forward-looking scenario as part of the Stress Testing Framework.

Wholesale

Under a governed delegated mandate structure from the Board Risk Committee and ALCo, TCRDA assesses Treasury counterparty credit risk to ascertain that wholesale counterparties can meet their ongoing contractual obligations. Compliance with Board Risk Appetite is measured against absolute limits monitored daily by the Treasury Operations team, which is part of the Society's Finance Division, and is reported monthly to ALCo (members of which include the Chief Executive Officer, the Chief Financial Officer and the Chief Risk Officer). If adverse trends are identified, the Treasury Front Office team will take corrective action to mitigate the risk where necessary.

d) Relationships between credit risk management, risk control, compliance and internal audit functions

The Society currently employs a Three Lines of Defence (LoD) risk management model as detailed in section 3.1. In the context of credit risk management this provides effective and robust credit risk control as below:

- 1st LoD: Responsible for executing the strategy and the day-to-day management of credit risk in line with agreed policies, standards and limits. Responsible for the design and day-to-day execution of operational controls.
- 2nd LoD: Responsible for the design, development and oversight of credit risk policies and appetite. Independent oversight of relevant 1st line activities and ongoing reporting of asset quality to the relevant committees. Performs the accountabilities of the Credit Risk Control Unit (CRR Article 190).
- 3rd LoD: Internal Audit provide independent assurance over the effectiveness of the credit risk management & oversight.

10.2 UK CRB: Additional disclosure related to the credit quality of assets

a) The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes

Impairment losses are calculated for all financial assets held at amortised cost or at fair value through other comprehensive income (FVOCI). Loss provisions are also held against undrawn loan commitments where a loan offer has been issued to a customer and remains in place, but the loan has not yet completed and so has not yet been recognised in the Statement of Financial Position.

Impairment loss provisions are calculated to cover future losses expected to emerge over a defined time period, dependent on the stage allocation of the individual asset, as set out below. This approach to impairment losses is known as the Expected Credit Loss (ECL) basis.

- Stage 1 – assets are allocated to this stage on initial recognition and remain in this stage if there has not been a significant increase in credit risk since initial recognition. Impairment losses are recognised to cover 12-month ECL, being the proportion of lifetime ECL arising from default events expected within 12 months of the reporting date.
- Stage 2 – assets where it is determined that there has been a significant increase in credit risk since initial recognition, but where there is no objective evidence of impairment. Impairment losses are recognised to cover lifetime ECL.
- Stage 3 – assets where there is objective evidence of impairment, i.e. they are considered to be in default or in the cure period following default (see below for full definition of default). Impairment losses are recognised to cover lifetime ECL.

Annex XV: Credit Risk Quality

Assets continue to be recognised, net of impairment loss provisions, until there is no reasonable prospect of recovery, which is generally at the point at which the property securing the loan is sold. If a loss is ultimately realised, it is written off against the provision previously made. Any subsequent recoveries are recognised directly in the Income Statement as a credit to impairment, as they arise.

The primary driver in determining whether an individual loan has had a significant increase in credit risk is a quantitative assessment of the increase in lifetime probability of default (PD). At each reporting date, lifetime PD is recalculated and compared to the lifetime PD calculated on initial recognition. The loan is allocated to Stage 2 if the lifetime PD has increased over a pre-determined threshold which is set using a test-based approach and expressed as a percentage increase, segmented by product type and risk banding at the date of initial recognition.

In addition to the above, qualitative criteria have been set such that loans which are considered to have a significantly increased credit risk but would not be captured above are moved to Stage 2. These qualitative criteria include loans which have reached the end of their contractual term and loans where the customer has been identified as bankrupt but is not in arrears. A backstop is also in place such that all loans which are 30 days past due are moved to Stage 2.

Definition of default: Individual loans are considered to be in default and are allocated to Stage 3 if the loan is more than 90 days past due, is subject to certain forbearance activities, is in possession, meets 'unlikely to pay' criteria or if the customer has been identified as bankrupt and is in arrears by more than a nominal amount. A cure period is in place such that the loan would move back to Stage 2 if the loan exits default and remains not in default for more than 12 months or, for loans subject to forbearance, if 12 consecutive full payments are made after the forbearance activity has completed. The Society's accounting definition of default is in line with the regulatory definition under the IRB approach.

ECL is calculated by multiplying loss given default (LGD), PD and exposure at default (EAD). Each element of the calculation is modelled at individual account level on a monthly basis over the remaining contractual term of the loan, with the first 12 months totalled to obtain the 12-month ECL and the lifetime ECL obtained by totalling the above over the full contractual life of the loan. Modelling assumptions are based on historical data analysis of the impact of economic variables on loan behaviour. These assumptions are then applied to the forecast economic scenarios to predict future loan behaviour.

The overall ECL recorded in the financial statements is calculated as the probability weighted ECL over a range of possible forecast macroeconomic scenarios.

b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this

All exposures more than 90 days past due are treated as impaired.

c) Methods used for determining general and specific credit risk adjustments

PMAs are applied to modify the level of impairment loss provisions from that calculated by the detailed models used to determine ECL. They are used where there is a material risk that is not adequately captured within modelled ECL as a result of a lack of historical data with which to model or due to ongoing uncertainty. Judgement is required in determining whether a PMA should be used and the appropriate quantum of the adjustment. All PMAs are subject to approval by Credit Committee and must be reviewed and reapproved at least annually.

d) The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014

The Society utilises a wide range of forbearance strategies to support customers in financial difficulty, working with customers on a case-by-case basis to determine the most suitable approach. The implementation of a forbearance strategy does not give rise to the derecognition of the loan.

Annex XV: Credit Risk Quality

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

Table 18 (UK CR1): Performing and non-performing exposures and related provisions		31 December 2024														
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
£m		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
005	**Cash balances at central banks and other demand deposits**	**2,457.4**	**2,457.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**24,293.1**	**19,813.5**	**4,479.5**	**309.4**	**16.0**	**293.4**	**(31.5)**	**(7.8)**	**(23.7)**	**(14.0)**	**(0.1)**	**(13.9)**	**159.4**	**24,253.9**	**295.4**
	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Credit institutions	6.0	6.0	-	-	-	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	117.0	101.8	15.2	-	-	-	(0.5)	-	(0.5)	-	-	-	94.3	116.3	-
070	*Of which SMEs*	107.5	101.8	5.8	-	-	-	(0.2)	-	(0.2)	-	-	-	86.0	107.3	-
080	*Households*	24,170.1	19,705.7	4,464.3	309.4	16.0	293.4	(30.9)	(7.8)	(23.2)	(14.0)	(0.1)	(13.9)	65.1	24,137.6	295.4
090	**Debt securities**	**3,950.0**	**3,950.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	2,153.1	2,153.1	-	-	-	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	1,159.2	1,159.2	-	-	-	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	637.7	637.7	-	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**1,644.1**	**1,643.9**	**0.3**	**-**	**-**	**-**	**(0.3)**	**(0.3)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
160	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	*Credit institutions*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200	*Non-financial corporations*	71.8	71.8	-	-	-	-	-	-	-	-	-	-	-	-	-
210	*Households*	1,572.3	1,572.0	0.3	-	-	-	(0.3)	(0.3)	-	-	-	-	-	-	-
220	**Total (£m)**	**32,344.6**	**27,864.8**	**4,479.8**	**309.4**	**16.0**	**293.4**	**(31.8)**	**(8.1)**	**(23.7)**	**(14.0)**	**(0.1)**	**(13.9)**	**159.4**	**24,253.9**	**295.4**

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

10.4 UK CR1A: Maturity of exposures

Table 19 (UK CR1-A) : Maturity of exposures		31 December 2024					
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
£m		a	b	c	d	e	f
1	Loans and advances	8.9	54.8	703.0	23,783.8	-	24,550.5
2	Debt securities	-	1,689.0	1,363.9	897.1	-	3,950.0
3	**Total**	**8.9**	**1,743.7**	**2,066.9**	**24,680.9**	**-**	**28,500.4**

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

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

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

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

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

Annex XV: Credit Risk Quality

10.7 UK CQ1: Credit quality of forborne exposures

Table 20 (UK CQ1): Credit quality of forborne exposures		31 December 2024							
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	16.7	113.0	70.5	109.7	-	(2.6)	127.1	110.5
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-
070	*Households*	16.7	113.0	70.5	109.7	-	(2.6)	127.1	110.5
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	**Total**	**16.7**	**113.0**	**70.5**	**109.7**	**-**	**(2.6)**	**127.1**	**110.5**

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

10.8 UK CQ2: Quality of forbearance

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

10.9 UK CQ3: Credit quality of performing and non-performing exposures by past due days

Table 21 (UK CQ3): Credit quality of performing and non-performing exposures by past due days		31 December 2024											
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
£m		a	b	c	d	e	f	g	h	i	j	k	l
005	Cash balances at central banks and other demand deposits	2,457.4	2,457.4	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	**24,293.1**	**24,250.4**	**42.7**	**309.4**	**167.5**	**58.9**	**47.4**	**25.3**	**9.5**	**0.8**	**0.0**	**175.5**
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	6.0	6.0	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	117.0	117.0	-	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	107.5	107.5	-	-	-	-	-	-	-	-	-	-
080	*Households*	24,170.1	24,127.4	42.7	309.4	167.5	58.9	47.4	25.3	9.5	0.8	0.0	175.5
090	**Debt securities**	**3,950.0**	**3,950.0**	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	2,153.1	2,153.1	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	1,159.2	1,159.2	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	637.7	637.7	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance sheet exposures**	**1,644.1**			-								
200	*Non-financial corporations*	71.8			-								
210	*Households*	1,572.3			-								
220	**Total (£m)**	**32,344.6**	**30,657.8**	**42.7**	**309.4**	**167.5**	**58.9**	**47.4**	**25.3**	**9.5**	**0.8**	**0.0**	**175.5**

		31 December 2023											
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
£m		a	b	c	d	e	f	g	h	i	j	k	l
005	Cash balances at central banks and other demand deposits	2,938.2	2,938.2	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	**21,714.9**	**21,673.5**	**41.4**	**281.2**	**148.6**	**50.4**	**49.3**	**24.2**	**8.0**	**0.2**	**0.4**	**158.2**
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	21.5	21.5	-	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	11.5	11.5	-	-	-	-	-	-	-	-	-	-
080	*Households*	21,693.4	21,652.0	41.4	281.2	148.6	50.4	49.3	24.2	8.0	0.2	0.4	158.2
090	**Debt securities**	**2,515.6**	**2,515.6**	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	1,047.2	1,047.2	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	1,105.4	1,105.4	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	363.0	363.0	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance sheet exposures**	**1,271.9**			-								
200	*Non-financial corporations*	10.3			-								
210	*Households*	1,261.6			-								
220	**Total (£m)**	**28,440.6**	**27,127.3**	**41.4**	**281.2**	**148.6**	**50.4**	**49.3**	**24.2**	**8.0**	**0.2**	**0.4**	**158.2**

Annex XV: Credit Risk Quality

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

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

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

No sector split or residual maturity profile has been included for the legacy commercial loan portfolio due to the low materiality of the remaining exposure, which was £5.6m in 2024 (31 December 2023: £6.0m). As individual commercial loans could potentially be identified from this disclosure, for confidentiality reasons, in line with CRR article 432, table CQ5 has not been presented.

10.12 UK CQ6: Collateral valuation - loans and advances

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

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

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

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

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

11 Annex XVII: Credit Risk Mitigation Techniques

11.1 UK CRC: Qualitative disclosure requirements related to CRM techniques

a) Core policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting

The Society employs netting where there is a legally enforceable right to set off the recognised amounts. This is the case for derivatives contracts by counterparty.

b) Core features of policies and processes for eligible collateral evaluation and management eligible collateral evaluation and management

Residential: The recognition of eligible collateral for mortgage lending requires a number of factors to be considered such as legal certainty of charge and an appropriate form of valuation. The Society require the collateral valuation to be conducted by an appropriately qualified valuer, independent of the credit decision process and customer at the time of borrowing. This includes the use of automated valuation models based on market data, subject to criteria around the accuracy of the estimate and the LTV of the property. Climate data is also used to assess physical risks (e.g. flooding and subsidence) and transitional risks (e.g. Energy Performance Certificate data), which are then used to inform any decisions to lend. Post origination, collateral is revalued on a quarterly basis using an appropriate industry indexation approach.

Wholesale: The form of credit risk mitigation employed by the Society is determined by the nature of the instrument: Loans, Government and Sovereign, Supranational and Agencies (SSA) debt securities are generally unsecured. ISDA (International Swaps and Derivatives Association) Master Agreements, including a Credit Support Annex (CSA), are usually completed with derivative counterparties, allowing for the exchange of collateral to mitigate the credit risk of the derivatives portfolio. Cleared Derivatives Execution Agreements (CDEA) documentation may be employed with counterparties where derivatives transactions will be cleared with a Central Clearing Counterparty (CCP). Covered bonds and securitisations are secured by pools of financial assets.

Under ISDA Master Agreements the derivatives portfolio is typically valued using discounted cash flow models. The terms of a CSA allow for collateral to be passed between parties to mitigate the market contingent counterparty risk inherent in the outstanding positions. Collateral (typically GBP cash) is paid or received on a regular basis (typically daily) to mitigate the mark-to-market exposures.

CSAs grant legal rights of set off for transactions with the same counterparty. Accordingly, the credit risk associated with such positions is reduced to the extent that negative mark-to-market values offset positive mark-to-market values in the calculation of credit risk within each netting agreement.

c) The main types of collateral taken by the institution to mitigate credit risk.

Residential: The Society's main source of collateral, and therefore means of mitigating credit risk, held against the IRB portfolios is residential property.

Wholesale: The Society typically posts and receives cash to mitigate credit risk arising from derivatives; however, its risk appetite also allows for UK government bonds collateral (gilts and Treasury Bills). The covered bonds and securitisations are secured by residential or buy to let mortgages.

d) The main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures

The Society does not utilise credit derivatives or government guarantees.

Annex XVII: Credit Risk Mitigation Techniques

e) Information about market or credit risk concentrations within the credit mitigation taken

IRB assets are all based in the UK and all new lending is restricted to the UK, and therefore subject to systemic impacts relating to the UK housing market. Limits are in place to protect against excessive concentration at a regional level and new build sites are subject to exposure limits to prevent an over-exposure. Different regional house price assumptions are adopted via regular stress testing exercises to ensure the credit risks are understood.

Acceptable collateral for the Society is GBP cash or high quality UK government bonds (gilts or Treasury Bills).

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

Table 22 (UK CR3) : CRM techniques overview: Disclosure of the use of credit risk mitigation techniques		31 December 2024				
		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
£m		a	b	c	d	e
1	Loans and advances	7.6	24,549.3	24,549.3	-	-
2	Debt securities	3,950.0	-	-	-	
3	**Total**	**3,957.6**	**24,549.3**	**24,549.3**	**-**	**-**
4	*Of which non-performing exposures*	*14.0*	*295.4*	*295.4*	-	-
5	*Of which defaulted*	-	*175.5*			

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

12 Annex XIX: Use of the Standardised Approach

12.1 UK CRD: Qualitative disclosure requirements related to standardised model

a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period

The Society uses Moody's and Fitch as ECAIs.

b) The exposure classes for which each ECAI or ECA is used

ECAI ratings are used for backstop limit purposes only in the Society's credit assessments and for assigning capital to Treasury exposures. This applies to central governments, central banks, public sector entities, multilateral development banks, financial institutions, covered bonds and securitised assets under the standardised approach.

c) A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book

The Society does not have a trading book.

d) The association of the external rating of each nominated ECAI or ECA (as referred to in row (a)) with the risk weights that correspond with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR (except where the institution complies with the standard association published by the EBA).

The ratings from the ECAIs are mapped across to the Credit Quality Step requirements in the UK CRR using EBA mappings.

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

Table 23 (UK CR4) : Standardised approach – Credit risk exposure and CRM effects		31 December 2024					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	4,376.0	-	4,376.0	-	-	0.0%
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	217.4	-	217.4	-	-	0.0%
4	Multilateral development banks	539.5	-	539.5	-	-	0.0%
5	International organisations	-	-	-	-	-	-
6	Institutions	152.3	-	152.3	-	30.4	20.0%
7	Corporates	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-
9	Secured by mortgages on immovable property	621.4	92.5	621.4	18.5	254.1	39.7%
10	Exposures in default	7.1	-	7.1	-	7.1	100.0%
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	612.9	-	612.9	-	61.3	10.0%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	2.8	10.0	2.8	5.0	5.0	64.1%
17	**TOTAL**	**6,529.4**	**102.5**	**6,529.4**	**23.5**	**357.9**	**5.5%**

		31 December 2023					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	3,870.7	-	3,870.7	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	81.9	-	81.9	-	-	-
4	Multilateral development banks	180.3	-	180.3	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	311.1	-	311.1	-	77.2	24.8%
7	Corporates	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-
9	Secured by mortgages on immovable property	511.1	21.7	511.1	4.3	208.0	40.4%
10	Exposures in default	5.4	-	5.4	-	5.4	100.1%
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	748.7	-	748.7	-	74.9	10.0%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	2.4	10.0	2.4	5.0	5.0	68.0%
17	**TOTAL**	**5,711.6**	**31.7**	**5,711.6**	**9.3**	**370.5**	**6.5%**

Annex XIX: Use of the Standardised Approach

12.3 UK CR5: Standardised approach

Table 24 (UK CR5) : Standardised approach		31 December 2024																
		Risk weights															Total	Of which unrated
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	4,376.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,376.0	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	217.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	217.4	-
4	Multilateral development banks	539.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	539.5	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	0.1	-	-	-	152.2	-	-	-	-	-	-	-	-	-	-	152.3	-
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	591.3	-	-	3.3	45.3	-	-	-	-	-	639.9	639.9
10	Exposures in default	-	-	-	-	-	-	-	-	-	7.1	-	-	-	-	-	7.1	7.1
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	612.9	-	-	-	-	-	-	-	-	-	-	-	612.9	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	2.8	-	-	-	-	-	-	-	-	5.0	-	-	-	-	-	7.8	5.0
17	**TOTAL**	**5,135.8**	**-**	**-**	**612.9**	**152.2**	**591.3**	**-**	**-**	**3.3**	**57.4**	**-**	**-**	**-**	**-**	**-**	**6,552.9**	**652.0**

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

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

13.1 UK CRE: Qualitative disclosure requirements related to IRB approach

a) The competent authority's permission of the approach or approved transition

As part of its calculation of capital requirements for credit risk, the Society uses a suite of approved IRB models developed for, and applied to, its retail UK exposures as defined below:

- Retail mortgages: UK Prime Residential Real Estate, UK Residential Buy to Let and UK Prime Shared Ownership

The Society was granted its IRB permissions by the PRA with effect from 1st July 2018. As retail models developed by the Society in response to new regulation as set out in PS17/20 are yet to be approved by the PRA, a PMA is applied to ensure outcomes are consistent with the revised regulations. The current live suite of models, and subsequent performance as at end 2024, are described in this section.

In addition to driving the calculation of regulatory capital requirements, the Society's IRB models support the Society's business operations in a number of key areas. Examples include credit decisioning, portfolio management, product pricing, forecasting and stress testing, expected credit losses for impairment, and the development and monitoring of strategic risk appetite.

b) Control mechanisms for rating systems at the different stages of model development, controls and changes

The performance of the Society's IRB model suite is regarded as very high materiality, in terms of the calculation of credit risk capital requirements, and wider use of model estimates in operational and risk management practices. As part of its ERMF, the Society operates a structured and proportionate approach to model risk management and has operated industry good practice and well-defined disciplines to its credit risk related models for a number of years. Model Risk was elevated to a standalone principal risk category in 2020 and is monitored by the Society's Board Risk Committee against bespoke expressions of strategic risk appetite. For more detail on the ERMF please see the Risk Management Report on pages 63 to 66 of the Annual Report and Accounts.

In terms of model governance, under the Society's Board approved Model Risk Policy, all IRB related models are required to have a Model Owner. The Model Owner resides in the Credit Risk Control Unit as defined in Capital Requirements Regulation.

All models developed for IRB purposes are classified as Very High Materiality under Model Risk Policy. As a result, they must be:

- Developed and managed in accordance with Model Risk Policy and supporting Risk Model Standards and attested against all pertinent prudential regulation and guidance.
- Reviewed by a team of appropriately skilled and experienced specialists independent from the Credit Risk Control Unit; and
- Reviewed and approved by the Society's Designated Committee, the Models and Rating System Committee (MRSC).

c) The role of the functions involved in the development, approval and subsequent changes of the credit risk models

The Modelling and Measurement Team within the Risk Function are a Credit Risk Control Unit (CRCU) under IRB, responsible for the development, calibration, approval and any subsequent changes to the Rating System. Performance of approved models is monitored quarterly by the Credit Risk Control Unit (the 'CRCU') and reported in detail to the Credit Models Working Group, the Society's technical model review forum supporting the Models and Rating System Committee. Detailed reporting includes:

- PD Model: discrimination, accuracy, stability, concentration and grade migration.
- LGD model: Probability of Possession sub-component discrimination, accuracy and stability, and accuracy of Loss Given Possession estimates at sub-component level. Overall LGD accuracy.
- EAD model: accuracy at overall and sub-component level.

The Models and Rating System Committee meet at least five times per year and review summarised reporting against approved Key Performance Indicators, designed in accordance with the Society's Model Validation Framework. Members of the committee include the Deputy Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Chief Commercial Officer, Credit Risk Director, and senior management from multiple business areas, including the Modelling and Measurement Team. During the approval process, the Committee considers insights from the Modelling and Measurement Team, teams performing independent model validation and Internal Audit, along with any other pertinent points.

All IRB models are subject to an annual review process undertaken by the Risk Function, including an independent review performed by the Finance Function, and re-approval by the Models and Rating System Committee, in accordance with prudential regulation. Internal Audit also perform a full program of third line annual IRB assurance activity. The Models and Rating System Committee are the 'Designated Committee' for IRB. In addition to roles and responsibilities within the annually approved Terms of Reference, the Committee maintains a Schedule of Key Events calendar which includes the requirement for an annual review, independent review, audit assurance of the Rating System and approval for continued use by the Designated Committee.

d) Scope and main content of the reporting related to credit risk models

In addition to the Models and Rating System Committee review of Key Performance Indicators described in c) above, the Society has a Model Risk Strategic Risk Appetite metric that is monitored on a monthly basis to ensure that the performance of credit risk (and non-credit risk) models is in line with expectations. This metric is a quantitative secondary level limit, based on the aggregate view of a scorecard of key measures and monitors High and Very High materiality models to focus on key sources of model risk. The components within the metric have been selected to provide coverage of each of the key elements within the Society's Model Risk Framework and are within three categories: Governance, Performance and Validation. To monitor Governance, checks are made to ensure that each of the models are being managed in line with Governance requirements based upon their materiality assessments, which occur bi-annually by model owners and are validated by Prudential and Enterprise Risk; the completeness and accuracy of the model inventory is examined, and model risk policy exceptions are recorded. For performance, this consists of ensuring that monitoring controls are operating effectively, the number of post-model adjustments deemed material to the output of the models that have been applied and the appropriateness of these, and whether any model incidents have been reported. Finally, validation checks ensure that models have been assessed as fit for purpose and any actions relating to model performance are monitored to ensure that these are completed within appropriate timescales. The performance of this metric is distributed to senior management on a monthly basis along with other Society Strategic Risk Appetite metrics, and the BRC receives an update on the performance of this at each meeting.

Annex XXI: Use of the IRB approach to Credit Risk

e) A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio

The IRB models and their key features are summarised as follows:

Portfolio	Portfolio RWEAs Dec-24			Number of years of loss data	Basel Asset Class	Applicable industry-wide thresholds
Prime Mortgages	£5,036.6m	PD	Exposures are placed into long run PD rating grades based upon application / behavioural scores, Loan to Value and Arrears Status. Each rating grade is assigned a regulatory (long run average) PD. Exposures may subsequently migrate across grades over time.	>10 years	Retail Exposures Secured by residential properties	PD floor of 0.03%
		LGD	Deterministic models predicting propensity for possession (given default), movements in property values, property value haircuts and post-default costs incurred – in current and downturn conditions.			Portfolio LGD floor of 10% and account level floor of 5%
		EAD	Deterministic model predicting exposure at the point of default taking into account balance, pre-default costs incurred, and interest accrued – in current and downturn conditions.			Floored at existing account balance

These measures form the base inputs to the regulatory risk weight function, in order to derive Pillar 1 risk weighted assets at account level. Thereafter, minimum capital requirements are calculated as 8% of risk weighted assets, reflecting the credit risk capital required to cover unexpected losses attributed to the portfolio.

Under IRB, expected losses are also derived by multiplying the above measures together, both on a current ‘point in time’ and long run / downturn basis. These reflect losses that the Society expects to lose as a result of customers defaulting across the course of an economic cycle. Where such expected losses exceed accounting provisions, the excess of expected losses is deducted from CET1 capital.

Annex XXI: Use of the IRB approach to Credit Risk

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

Table 25 (UK CR6): IRB approach – Credit risk exposures by exposure class and PD range						31 December 2024						
PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	b	c	d	e	f	g	h	i	j	k	l	m
	£m	£m	%	£m	%		%		£m	%	£m	£m
A-IRB - Retail Exposure Class												
PD scale												
0.00 to <0.15	907.4	0.1	100.00%	907.4	0.11%	11,576	10.10%	-	40.0	4.41%	0.2	(0.4)
0.00 to <0.10	-	-	0.00%	-	0.00%	-	0.00%	-	-	0.00%	-	-
0.10 to <0.15	907.4	0.1	100.00%	907.4	0.11%	11,576	10.10%	-	40.0	4.41%	0.2	(0.4)
0.15 to <0.25	-	-	0.00%	-	0.00%	-	0.00%	-	-	0.00%	-	-
0.25 to <0.50	6,747.3	66.6	99.22%	6,760.6	0.36%	59,761	10.27%	-	728.2	10.77%	4.1	(6.0)
0.50 to <0.75	7,919.7	830.3	92.41%	8,085.8	0.63%	59,238	9.67%	-	1,159.0	14.33%	8.1	(6.4)
0.75 to <2.50	6,497.7	625.0	92.98%	6,622.7	1.53%	57,063	10.48%	-	1,858.4	28.06%	17.6	(8.6)
0.75 to <1.75	5,411.4	624.6	91.72%	5,536.4	1.46%	44,024	10.37%	-	1,463.1	26.43%	13.8	(7.4)
1.75 to <2.50	1,086.3	0.3	99.97%	1,086.4	1.92%	13,039	11.10%	-	395.3	36.38%	3.8	(1.2)
2.50 to <10.00	1,451.2	29.5	98.40%	1,457.1	4.42%	13,906	9.77%	-	729.8	50.09%	10.2	(4.7)
2.50 to <5.00	1,050.0	27.1	97.99%	1,055.4	3.52%	9,810	9.95%	-	486.6	46.10%	6.1	(2.8)
5.00 to <10.00	401.2	2.5	99.51%	401.7	6.79%	4,096	9.30%	-	243.3	60.56%	4.1	(1.9)
10.00 to <100.00	252.6	-	100.00%	252.6	32.38%	2,667	11.99%	-	249.4	98.73%	18.6	(3.2)
10.00 to <20.00	97.1	-	100.00%	97.1	12.24%	1,056	8.51%	-	69.3	71.36%	1.6	(0.6)
20.00 to <30.00	68.2	-	100.00%	68.2	28.25%	664	11.85%	-	80.6	118.16%	3.7	(0.9)
30.00 to <100.00	87.3	-	100.00%	87.3	58.00%	947	15.98%	-	99.5	113.99%	13.3	(1.6)
100.00 (Default)	163.5	0.0	99.99%	163.5	100.01%	1,866	2.07%	-	271.7	166.19%	3.4	(6.5)
Subtotal (exposure class)	**23,939.5**	**1,551.6**	**95.13%**	**24,249.8**	**2.01%**	**206,077**	**10.05%**	**-**	**5,036.6**	**20.77%**	**62.0**	**(35.9)**
Total (all exposures classes)	**23,939.5**	**1,551.6**	**95.13%**	**24,249.8**	**2.01%**	**206,077**	**10.05%**	**-**	**5,036.6**	**20.77%**	**62.0**	**(35.9)**

IRB approach – Credit risk exposures by exposure class and PD range						31 December 2023						
PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	b	c	d	e	f	g	h	i	j	k	l	m
	£m	£m	%	£m	%		%		£m	%	£m	£m
A-IRB - Retail Exposure Class												
PD scale												
0.00 to <0.15	1,366.7	0.2	99.99%	1,366.8	0.11%	15,816	11.63%	-	66.2	4.84%	0.3	(1.1)
0.00 to <0.10	-	-	0.00%	-	0.00%	-	0.00%	-	-	0.00%	-	-
0.10 to <0.15	1,366.7	0.2	99.99%	1,366.8	0.11%	15,816	11.63%	-	66.2	4.84%	0.3	(1.1)
0.15 to <0.25	-	-	0.00%	-	0.00%	-	0.00%	-	-	0.00%	-	-
0.25 to <0.50	5,800.2	40.4	99.45%	5,808.3	0.36%	54,662	10.48%	-	612.9	10.55%	3.4	(5.3)
0.50 to <0.75	6,725.9	693.1	92.53%	6,864.5	0.63%	53,070	9.42%	-	920.7	13.41%	6.4	(4.8)
0.75 to <2.50	5,631.5	496.1	93.52%	5,730.7	1.51%	50,761	10.19%	-	1,498.0	26.14%	14.0	(7.1)
0.75 to <1.75	4,729.1	496.0	92.41%	4,828.3	1.44%	39,561	10.03%	-	1,183.2	24.51%	11.0	(5.4)
1.75 to <2.50	902.4	0.2	99.98%	902.4	1.92%	11,200	11.15%	-	314.8	34.88%	3.0	(1.7)
2.50 to <10.00	1,546.8	20.5	98.95%	1,550.9	4.35%	14,178	9.57%	-	724.9	46.74%	10.0	(5.9)
2.50 to <5.00	1,119.8	20.1	98.59%	1,123.9	3.47%	10,118	9.63%	-	474.7	42.24%	5.8	(3.5)
5.00 to <10.00	427.0	0.4	99.93%	427.1	6.67%	4,060	9.43%	-	250.2	58.59%	4.2	(2.4)
10.00 to <100.00	237.3	-	100.00%	237.3	34.20%	2,500	12.17%	-	227.6	95.92%	17.5	(6.6)
10.00 to <20.00	73.9	-	100.00%	73.9	12.21%	801	8.84%	-	52.3	70.68%	1.2	(1.0)
20.00 to <30.00	76.0	-	99.99%	76.0	28.69%	684	11.32%	-	81.9	107.70%	3.8	(2.4)
30.00 to <100.00	87.3	-	100.00%	87.3	57.62%	1,015	15.71%	-	93.4	107.04%	12.5	(3.3)
100.00 (Default)	144.7	-	99.99%	144.7	100.00%	1,962	1.93%	-	264.6	182.89%	2.8	(12.6)
Subtotal (exposure class)	**21,453.1**	**1,250.3**	**95.59%**	**21,703.1**	**2.05%**	**192,949**	**10.03%**	**-**	**4,314.8**	**19.88%**	**54.4**	**(43.4)**
Total (all exposures classes)	**21,453.1**	**1,250.3**	**95.59%**	**21,703.1**	**2.05%**	**192,949**	**10.03%**	**-**	**4,314.8**	**19.88%**	**54.4**	**(43.4)**

Annex XXI: Use of the IRB approach to Credit Risk

13.3 UK CR6A: Scope of the use of IRB and SA approaches

Table 26 (UK CR6-A): Scope of the use of IRB and SA approaches		31 December 2024				
		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
£m		a	b	c	d	e
1	Central governments or central banks	-	5,135.6	100.00%	-	-
1.1	*Of which Regional governments or local authorities*		-	-	-	-
1.2	*Of which Public sector entities*		217.4	100.00%	-	-
2	Institutions	-	770.0	100.00%	-	-
3	Corporates	-	-	-	-	-
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		-	-	-	-
3.2	*Of which Corporates - Specialised lending under slotting approach*		-	-	-	-
4	Retail	24,249.8	24,896.8	2.89%	97.11%	-
4.1	*of which Retail – Secured by real estate SMEs*		121.5	100.00%	-	-
4.2	*of which Retail – Secured by real estate non-SMEs*		24,775.3	2.12%	97.88%	-
4.3	*of which Retail – Qualifying revolving*		-	-	-	-
4.4	*of which Retail – Other SMEs*		-	-	-	-
4.5	*of which Retail – Other non-SMEs*		-	-	-	-
5	Equity	-	-	-	-	-
6	Other non-credit obligation assets	133.8	133.8	-	100.00%	-
7	**Total**	**24,383.6**	**30,936.3**	**22.10%**	**77.90%**	**-**

Scope of the use of IRB and SA approaches		31 December 2023				
£m		a	b	c	d	e
1	Central governments or central banks	-	4,135.3	100.00%	-	-
1.1	*Of which Regional governments or local authorities*		-	-	-	-
1.2	*Of which Public sector entities*		81.9	100.00%	-	-
2	Institutions	-	1,064.8	100.00%	-	-
3	Corporates	-	-	-	-	-
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		-	-	-	-
3.2	*Of which Corporates - Specialised lending under slotting approach*		-	-	-	-
4	Retail	21,703.1	22,223.9	2.42%	97.58%	-
4.1	*of which Retail – Secured by real estate SMEs*		13.0	100.00%	-	-
4.2	*of which Retail – Secured by real estate non-SMEs*		22,210.9	2.29%	97.71%	-
4.3	*of which Retail – Qualifying revolving*		-	-	-	-
4.4	*of which Retail – Other SMEs*		-	-	-	-
4.5	*of which Retail – Other non-SMEs*		-	-	-	-
5	Equity	-	-	-	-	-
6	Other non-credit obligation assets	103.2	103.2	-	100.00%	-
7	**Total**	**21,806.3**	**27,527.2**	**21.64%**	**78.36%**	**-**

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

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

13.5 UK CR7A: IRB approach – Disclosure of the extent of the use of CRM techniques

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

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

Table 27 (UK CR8) : RWEA flow statements of credit risk exposures under the IRB approach		Dec-24 RWEA	Sep-24 RWEA	Jun-24 RWEA	Mar-24 RWEA	12 months to Dec-24
£m		a	a	a	a	
1	**Risk weighted exposure amount as at the end of the previous reporting period**[5]	**4,937.0**	**4,811.9**	**4,477.7**	**4,314.8**	**4,314.8**
2	Asset size (+/-)	150.7	141.7	146.3	114.0	552.7
3	Asset quality (+/-)	(51.1)	(76.7)	43.7	48.9	(35.1)
4	Model updates (+/-)	-	-	-	-	-
5	Methodology and policy (+/-)	-	60.1	144.1	-	204.2
6	Acquisitions and disposals (+/-)	-	-	-	-	-
7	Foreign exchange movements (+/-)	-	-	-	-	-
8	Other (+/-)	-	-	-	-	-
9	**Risk weighted exposure amount as at the end of the reporting period**[5]	**5,036.6**	**4,937.0**	**4,811.9**	**4,477.7**	**5,036.6**

In the three months to December 2024, RWEAs under the IRB approach, excluding non-credit obligation assets, have increased by £99.6m to £5,036.6m. This was due to:

- a £150.7m increase relating to asset size driven by net book growth;
- a £51.1m improvement in asset quality reflecting the updated HPI, economics and weightings which have reduced back book average LTV; and
- no change due to methodology and policy as the adjustment to reflect the expected impact of capital reforms remained at 1.58.

In the 12 months to December 2024, RWEAs under the IRB approach, excluding non-credit obligation assets, have increased by £721.8m to £5,036.6m. This was due to:

- a £552.7m increase relating to asset size driven by net book growth;
- a £35.1m improvement in asset quality reflecting the updated HPI, economics and weightings which have reduced back book average LTV; and
- a £204.2m increase due to methodology and policy following a re-calculation of the adjustment to reflect the expected impact of capital reforms. The increase represents the materially different modelling requirements between the incumbent and expected capital position under CRD IV compliant IRB models rather than any changes in the size or composition of the book.

Note that asset size covers the RWEA of any asset originated in that period, minus the RWEA of any asset that closed during the same period. Asset quality represents the change in RWEA of any asset that remains on book throughout the period. This does not consider the change in quality of the closed compared to opened accounts. The methodology, while separated out, may still be influencing, and can be influenced by, the other areas of the summary.

[5] The RWEA reported in table 27 excludes £133.9m (September 2024: £261.7m, June 2024: £240.0m, March 2024: £262.3m, December 2023: £103.2m) of non-credit obligation assets. Non-credit obligation asset balances are lower in December primarily due to timing differences on mortgage control account balances, reflecting lower activity.

Annex XXI: Use of the IRB approach to Credit Risk

13.7 UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale)

Table 28 (UK CR9): IRB approach – Back-testing of PD per exposure class (fixed PD scale)		31 December 2024					
	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which: number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
A-IRB Retail Exposure class							
	PD scale						
	0.00 to <0.15	15,816	9	0.06%	0.11%	0.11%	0.03%
	0.00 to <0.10	-	-	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	15,816	9	0.06%	0.11%	0.11%	0.03%
	0.15 to <0.25	-	-	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	54,662	41	0.08%	0.36%	0.36%	0.07%
	0.50 to <0.75	53,065	44	0.08%	0.58%	0.58%	0.11%
	0.75 to <2.50	50,761	110	0.22%	1.40%	1.46%	0.23%
	0.75 to <1.75	39,561	89	0.23%	1.30%	1.32%	0.24%
	1.75 to <2.50	11,200	21	0.19%	1.92%	1.92%	0.18%
	2.50 to <10.00	14,178	150	1.06%	4.31%	4.49%	0.90%
	2.50 to <5.00	10,118	73	0.72%	3.42%	3.49%	0.59%
	5.00 to <10.00	4,060	77	1.91%	6.66%	6.96%	1.54%
	10.00 to <100.00	2,500	469	18.89%	34.27%	34.81%	16.61%
	10.00 to <20.00	801	42	5.30%	12.21%	12.28%	3.88%
	20.00 to <30.00	684	83	12.21%	28.68%	28.35%	10.94%
	30.00 to <100.00	1,015	344	34.03%	57.62%	56.96%	35.03%
	100.00 (Default)	1,962	-	0.00%	100.00%	100.00%	0.00%

IRB approach – Back-testing of PD per exposure class (fixed PD scale)		31 December 2023					
	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual
a	b	c	d	e	f	g	h
A-IRB Retail Exposure class							
	PD scale						
	0.00 to <0.15	16,884	2	0.01%	0.11%	0.11%	0.02%
	0.00 to <0.10	-	-	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	16,884	2	0.01%	0.11%	0.11%	0.02%
	0.15 to <0.25	-	-	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	54,136	55	0.10%	0.36%	0.36%	0.06%
	0.50 to <0.75	48,140	103	0.21%	0.58%	0.58%	0.11%
	0.75 to <2.50	47,541	239	0.50%	1.39%	1.45%	0.24%
	0.75 to <1.75	37,779	209	0.55%	1.31%	1.33%	0.25%
	1.75 to <2.50	9,762	30	0.31%	1.92%	1.92%	0.20%
	2.50 to <10.00	13,092	279	2.13%	4.36%	4.53%	1.15%
	2.50 to <5.00	8,967	154	1.72%	3.40%	3.47%	0.83%
	5.00 to <10.00	4,125	125	3.03%	6.57%	6.82%	1.77%
	10.00 to <100.00	2,241	470	20.97%	33.30%	34.17%	16.07%
	10.00 to <20.00	707	48	6.79%	12.23%	12.28%	3.91%
	20.00 to <30.00	682	88	12.90%	28.68%	28.26%	11.52%
	30.00 to <100.00	852	334	39.20%	57.85%	57.06%	34.55%
	100.00 (Default)	1,811	-	0.00%	100.00%	100.00%	0.00%

13.8 UK CR9.1: IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)

The Society does not follow the approach described in point (f) of Article 180(1) CRR. Article 180(1) only applies to corporates, institutions, central governments, central banks and not retail, hence is not applicable.

14 Annex XXIII: Specialised Lending

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

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

15 Annex XXV: Exposures to Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transactions' cash flows. The Society's exposure to CCR arises from entering into derivative contracts, for the purposes of mitigating interest rate risk, and sales and repurchase transactions as part of its liquidity management activities.

As explained in Annex XVII Disclosure of the use of credit risk mitigation techniques, the Society mitigates risk of loss arising from default by its derivative counterparties through legally enforceable CSA agreements with cash collateral usually posted against changes in the net mark to market value of derivative exposures with a particular counterparty. It also enters into ISDA master netting agreements such that outstanding swap transactions with the same counterparty can be settled net following a default. These collateral and netting arrangements are taken into consideration when calculating internal CCR exposure for derivative counterparties.

Wherever possible, the Society clears qualifying derivatives through a CCP via Clearing Brokers as the Society is not itself a direct member of a CCP. Clearing derivatives with a CCP where possible, rather than leaving derivative contracts outstanding with counterparties bi-laterally, further helps to mitigate CCR. The CCP collects initial margin from each member (Clearing Broker) in order that obligations can be fulfilled should a member fail. All open positions with the CCP are then marked to market daily, with valuations agreed between the Society and its Clearing Brokers, such that the appropriate amount of variation margin can be exchanged.

The Society uses the Standardised Methodology to calculate derivative exposure. The Society's derivative contracts would not require the posting of additional collateral in the event of a ratings downgrade. However, the Society's Clearing Brokers are able to request additional initial margin from the Society up to agreed maxima.

15.1 UK CCRA: Qualitative disclosure related to counterparty credit risk

a) Methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties

The Society uses internal models to assign credit limits for counterparty credit exposures. The models consist of data taken from a range of publicly available and financial information provider sources and incorporates both quantitative and qualitative measures. Counterparty limits are linked to the Society's CET1 and are reviewed at least annually, with regular monitoring and review at ALCo and TCRDA meetings held at least quarterly. The institution credit limit framework is formally reviewed as part of the annual Wholesale Credit Risk Policy review.

b) Policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves

The Society uses derivatives to reduce exposure to market risks. Such derivatives have the potential to create counterparty credit risk. These instruments are only transacted with highly rated institutions and are collateralised under market standard documentation.

The Society's preferred method of documenting derivative activity is the ISDA Master Agreement, together with a CSA to mitigate credit risk on the derivatives portfolio. These agreements help mitigate CCR because they allow the offsetting of amounts due to the same counterparties ('netting benefits') and require cash collateral to be deposited by certain counterparties ('collateral held') to mitigate the mark-to-market exposures on derivatives. Under these agreements the Society typically values its portfolio in-house using discounted cash flow models. Any such valuations are agreed with the relevant counterparties, and collateral is then exchanged to bring the credit exposure within agreed tolerances.

The net derivative credit exposure represents the credit exposure to derivative transactions after taking account of netting agreements and CSAs and after including Potential Future Credit Exposure (PFCE) as required in the calculation of exposure. Regular, typically daily, re-balancing of the collateral requirements reduces the potential increase in future credit exposure.

Collateralisation of derivatives introduces two material changes in credit exposure, namely:

- The posting of collateral reduces the impact of the current market value to the difference between the market value of the derivatives and the value of the collateral. This difference is limited by the operational use of 'thresholds' and 'minimum transfer amounts', which set criteria to avoid the movement of small amounts of collateral; and
- If the counterparty fails to post additional collateral required, a default can be enforced within a short timeframe resulting in a substantial reduction in the potential future increases in credit exposure.

Derivative positions and collateral are typically valued daily and compared with counterparty valuations to agree collateral settlement. Any disputes in value are monitored and escalated by the dispute resolution procedures. Market standard CSA collateral allows GBP cash and, in some cases, UK sovereign debt securities, to be accepted or provided as collateral. Currently the Society holds both cash and UK sovereign debt securities.

c) Policies with respect to Wrong-Way risk as defined in Article 291 of the CRR

"Wrong-way risk" may occur when exposure to a counterparty is negatively correlated with the credit quality of that counterparty. The Society has no 'wrong-way' risk exposure and no appetite for such exposures. The risk is mitigated by the Society's policy of executing an ISDA Master Agreement, including Credit Support Annex, and agreeing an Eligible Collateral Schedule with each of its counterparties. Exposures are regularly re-margined and usually collateralised with cash. The Society also uses CDEA documentation where derivatives transactions will be cleared with a CCP.

d) Other risk management objectives and relevant policies related to CCR

The Society also enters into Securities Financing Transactions (SFTs). These transactions demonstrate the Society's ability to monetise the Liquid Asset Buffer and generate incremental income. The counterparty risk arising from SFTs is mitigated in a similar way to how it is mitigated for derivatives. Counterparty credit limits are controlled by TCRDA, and the Society enters into Global Master Repurchase Agreements with its SFT counterparties, which allow for the collateralisation of SFT exposures. Cash collateral is used to pay for all repurchase (repo) transactions. Amounts are adjusted daily to reflect the change in the fair value of the underlying securities.

e) The amount of collateral the institution would have to provide if its credit rating was downgraded

Liquidity is held for both additional collateral that may have to be posted in the event of a credit rating downgrade and adverse movements in market rates. Collateral requirements following downgrade are assessed on a contractual basis, whereas liquidity for changes in market rates is assessed using historic market rate volatility.

The Society would have to provide no additional collateral in the event of a one notch or two notch downgrade by external credit rating agencies. However, the Society's Clearing Brokers are able to request additional initial margin from the Society up to agreed maxima.

Annex XXV: Exposures to Counterparty Credit Risk

15.2 UK CCR1: Analysis of CCR exposure by approach

Table 29 (UK CCR1) : Analysis of CCR exposure by approach		31 December 2024 Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
£m		a	b	c	d	e	f	g	h
UK1	Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
UK2	Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	0.5	1.5	-	1.4	15.0	2.9	2.9	1.1
2	IMM (for derivatives and SFTs)	-	-	-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*	-	-	-	-	-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*	-	-	-	-	-	-	-	-
2c	*Of which from contractual cross-product netting sets*	-	-	-	-	-	-	-	-
3	Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**15.0**	**2.9**	**2.9**	**1.1**

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

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

Table 30 (UK CCR2): Transactions subject to own funds requirements for CVA risk		Dec-24 Exposure value	Dec-24 RWEA	Dec-23 Exposure value	Dec-23 RWEA
£m		a	b	a	b
1	Total transactions subject to the Advanced method	-	-	-	-
2	(i) VaR component (including the 3× multiplier)		-		-
3	(ii) stressed VaR component (including the 3× multiplier)		-		-
4	Transactions subject to the Standardised method	2.9	5.3	6.4	8.5
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**2.9**	**5.3**	**6.4**	**8.5**

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

Table 31 (UK CCR3): Standardised approach – CCR exposures by regulatory exposure class and risk weights		31 December 2024 Risk weight a	b	c	d	e	f	g	h	i	j	k	l
£m	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	368.3	-	-	1.2	1.7	-	-	-	-	-	371.2
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**-**	**368.3**	**-**	**-**	**1.2**	**1.7**	**-**	**-**	**-**	**-**	**-**	**371.2**

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

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

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

15.6 UK CCR5: Composition of collateral for CCR exposures

Table 32 (UK CCR5): Composition of collateral for CCR exposures		31 December 2024 Collateral used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received		Fair value of collateral posted		Fair value of collateral	Fair value of collateral posted
		Segregated	Unsegregated	Segregated	Unsegregated		
£m	Collateral type	a	b	c	d	e	f
1	Cash	-	310.7	209.5	5.7	-	-
2	Debt	-	-	-	-	-	-
3	Equity	-	-	-	-	-	-
4	Other	-	-	-	-	-	-
5	**Total**	**-**	**310.7**	**209.5**	**5.7**	**-**	**-**

Annex XXV: Exposures to Counterparty Credit Risk

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

15.7 UK CCR6: Credit derivatives exposures

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

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

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

15.9 UK CCR8: Exposures to CCPs

Table 33 (UK CCR8): Exposures to CCPs		31 December 2024		31 December 2023	
		Exposure value	RWEA	Exposure value	RWEA
£m		a	b	a	b
1	**Exposures to QCCPs (total)**		**7.4**		**6.1**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	368.7	7.4	303.7	6.1
3	(i) OTC derivatives	368.7	7.4	303.7	6.1
4	(ii) Exchange-traded derivatives	-	-	-	-
5	(iii) SFTs	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	209.5		192.3	
8	Non-segregated initial margin	-	-	-	-
9	Prefunded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	**Exposures to non-QCCPs (total)**		**-**	**-**	**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC derivatives	-	-	-	-
14	(ii) Exchange-traded derivatives	-	-	-	-
15	(iii) SFTs	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-		-	
18	Non-segregated initial margin	-	-	-	-
19	Prefunded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

16 Annex XXVII: Exposures to Securitisation Positions

16.1 UK SECA: Qualitative disclosure requirements related to securitisation exposures

a) Description of securitisation and re-securitisation activities

The Society has securitised a number of mortgage loans by pooling them together and transferring the loans to a Special Purpose Vehicle (SPV), Albion No.5 plc (Albion 5) and Albion No.6 plc (Albion 6) are standalone RMBSs.

The Society undertakes securitisation activities to raise wholesale funding. Securitisation funding forms a balanced portion of the Society's wholesale funding which helps create a diversified investor base. Albion 5 and Albion 6 are publicly issued "simple, transparent and standardised" (STS) compliant RMBSs, each with £350m of notes issued.

Securitisation funding is secured against the Society's mortgage assets, as part of the Society's structured funding strategy. This strategy has enabled the Society to obtain both secured funding and created additional collateral, which can be used to source additional funding if required. The Society does not use Securitisation for risk-transfer or regulatory capital relief purposes.

The Society takes the role of servicer, originator (where the Society originates the assets being securitised), cash manager, bank account provider, swap provider and variable funding note registrar as defined in the relevant prospectuses for Albion 5 and Albion 6.

In addition to the above roles, the Society also acts as investor where it purchases a position in a third-party originated securitisation transaction: (see section b) ii) on the following page); the Society does not currently act as a sponsor to any securitisations.

b) The type of risk they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions, providing a distinction between STS and non-STS positions

i) risk retained in own-originated transactions

Liquidity Risk inherent in Securitised assets

The SPVs represent a liquidity risk to the Group due to legal covenants which need to be fulfilled in the event of a downgrade of the Society. The cash flows resulting from these legal covenants are in respect of amounts required to collateralise swaps and are held in the transaction bank accounts and the Guaranteed Investment Contract accounts, representing the net cash position arising from the management of the securitisation programme at any point in time. Funds may need to be either deposited with another institution with the requisite rating or a guarantee obtained from a suitable guarantor (in the event of the Society losing its short-term rating unless the rating agencies confirm that the current ratings of the notes will not be affected). The cash flows required in the event of downgrade are considered in the Society's ILAAP.

The parties holding the notes in issue are only entitled to obtain payment of the principal and interest to the extent that the resources of the RMBS structures are sufficient to support such payment and the holders of the notes have agreed not to seek recourse in any other form.

The Albion 5 and Albion 6 securitisations both have issued senior tranche instruments with the Society retaining the first loss element.

Management of Interest Rate Risk in Securitisations

To manage interest rate risk, the Society enters into derivative transactions with the SPV, receiving a rate of interest based on the securitised mortgages and paying a rate inherent in the debt issuances. For Albion 5 and Albion 6, the Society acts as swap provider. Cash flows arising from these internal derivatives are accounted for on an accruals basis. All other derivatives relating to securitisations are treated as explained in the derivatives and hedge accounting policy, which can be found in note 31 of the Annual Report and Accounts for the year ended 31 December 2024.

ii) risk incurred in relation to transactions originated by third parties

The Society invests in securitised assets as part of its overall investment strategy to maintain a diverse and liquid portfolio. The Society's holdings of RMBS and their associated risk weightings for capital purposes are included in tables 35 and 36 in sections 16.2 and 16.5.

Prior to investing in a new RMBS transaction, the Society conducts the appropriate due diligence credit analysis on securities in accordance with Article 406 of the CRR. The Society also operates both issuer and individual securitisation limits to guard against concentration risk.

The Society monitors RMBS investments daily and limits are in place to mitigate the risk of over investing. The Society also carries out quarterly stress testing for RMBS as part of the ongoing due diligence requirements set out in the CRR.

The Society's exposure to purchased securitisation positions amounted to £637.6m as at 31 December 2024 (31 December 2023: £363.0m) and comprised senior tranches of RMBS.

Purchases and retention of RMBS are undertaken within a clearly defined credit risk policy. RMBS are held as 'at fair value through Other Comprehensive Income' in the Society's Statement of Financial Position. If the assets are sold before maturity, a gain or loss is recognised in the Income Statement.

Leeds Building Society securitisation positions comprise largely of UK Prime RMBS which are STS compliant (88.5%) and a proportion of BTL MBS which are non-STS (11.5%).

c) Institutions' approaches to calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies with a distinction between STS and non-STS positions

As there has not been a significant transfer of credit risk, the Society does not calculate risk weighted exposure amounts for any positions it holds in the securitisations, and these continue to be calculated in line with capital requirements applied to the underlying mortgage assets. The risk relating to the underlying mortgage pool remains with the Society and is included in the residential mortgage tables detailed throughout this document.

d) A list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivatives contract

i)	SSPEs which acquire exposures originated by the Society	Nil
ii)	SSPEs sponsored by the Society	Nil
iii)	SSPEs and other legal entities for which the Society provide securitisation-related services, such as advisory, asset servicing or management services	Nil
iv)	SSPEs included in the institutions' regulatory scope of consolidation	Albion No.5 plc, Albion No.6 plc

e) A list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three CRR

The Society has adopted the SEC-ERBA approach so disclosures relating to Chapter 5 of Title II of Part Three CRR are not applicable.

Annex XXVII: Exposures to Securitisation Positions

f) A list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions

Albion No.5 plc, Albion No.6 plc.

g) A summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions

As an Originator:

Residential mortgages have been pledged by the Society in order to raise wholesale funding.

The pledged mortgages remain on the balance sheet of the Society as the Society retains the risks and rewards associated with the pledged mortgages. Due to the Society's position with respect to the SPV; it holds legal power, has exposure or rights to variable returns and has the ability to use its power over the SPV. The SPV is fully consolidated in the Group accounts.

These assets are held at amortised cost. Albion 5 and Albion 6 are fully consolidated into the Group accounts. The transfers of the mortgage loans to the securitisation companies are not treated as sales by the Society (as originator), and therefore no gains are recognised.

As an Investor:

The Society invests in securitised assets as part of its overall investment strategy to maintain a diverse and liquid portfolio. The Society's holdings of RMBS and their associated risk weightings for capital purposes are included in tables 35 and 36 in section 16.5.

Prior to investing in a new RMBS transaction, the Society conducts the appropriate due diligence credit analysis on securities in accordance with Article 406 of the CRR. The Society also operates both issuer and individual securitisation limits to guard against concentration risk.

The Society monitors RMBS investments daily and limits are in place to mitigate the risk of over investing. The Society also carries out quarterly stress testing for RMBS as part of the ongoing due diligence requirements set out in the CRR.

Purchases and retention of RMBS are undertaken within a clearly defined credit risk policy. RMBS are held as 'at fair value through Other Comprehensive Income' in the Society's Statement of Financial Position. If the assets are sold before maturity, a gain or loss is recognised in the Income Statement.

h) The names of the ECAIs used for securitisations and the types of exposure for which each agency is used

For investments in securitisations the Society uses Moody's and Fitch. The Treasury policy requires a rating of AAA at investment.

i) Where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three CRR including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI

Not applicable as the Society has adopted the SEC-ERBA approach.

Annex XXVII: Exposures to Securitisation Positions

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

	Table 34 (UK SEC1): Securitisation exposures in the non-trading book	31 December 2024														
		Institution acts as Originator							Institution acts as Sponsor				Institution acts as Investor			
		Traditional				Synthetic		Sub-Total	Traditional		Synthetic	Sub-Total	Traditional		Synthetic	Sub-Total
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT		of which SRT									
	£m	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
1	**Total exposures**	**629.6**	**-**	**-**	**-**	**-**	**-**	**629.6**	**-**	**-**	**-**	**-**	**564.2**	**73.3**	**-**	**637.6**
2	**Retail (total)**	**629.6**	**-**	**-**	**-**	**-**	**-**	**629.6**	**-**	**-**	**-**	**-**	**564.2**	**73.3**	**-**	**637.6**
3	residential mortgage	629.6	-	-	-	-	-	629.6	-	-	-	-	564.2	73.3	-	637.6
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	**Wholesale (total)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

16.3 UK SEC2: Securitisation exposures in the trading book

The Society does not have a trading book.

Annex XXVII: Exposures to Securitisation Positions

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

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

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

Table 35 (UK SEC4): Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor		31 December 2024																
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
£m		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	**Total exposures**	**637.6**	**-**	**-**	**-**	**-**	**-**	**637.6**	**-**	**-**	**-**	**70.3**	**-**	**-**	**-**	**5.6**	**-**	**-**
2	**Traditional transactions**	**637.6**	**-**	**-**	**-**	**-**	**-**	**637.6**	**-**	**-**	**-**	**70.3**	**-**	**-**	**-**	**5.6**	**-**	**-**
3	Securitisation	637.6	-	-	-	-	-	637.6	-	-	-	70.3	-	-	-	5.6	-	-
4	Retail underlying	637.6	-	-	-	-	-	637.6	-	-	-	70.3	-	-	-	5.6	-	-
5	Of which STS	564.2	-	-	-	-	-	564.2	-	-	-	55.7	-	-	-	4.5	-	-
6	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	**Synthetic transactions**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Annex XXVII: Exposures to Securitisation Positions

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

Table 36 (UK SEC5): Exposures securitised by the institution - Exposures in default and specific credit risk adjustments		31 December 2024		
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
£m		a	b	c
1	**Total exposures**	**659.4**	**-**	**-**
2	**Retail (total)**	**659.4**	**-**	**-**
3	residential mortgage	659.4	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	**Wholesale (total)**	-	-	-
8	loans to corporates	-	-	-
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

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

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

17.1 UK MRA: Qualitative disclosure requirements related to market risk

a) A description of the institution's strategies and processes to manage market risk, including:

An explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the institution's market risks

The Society's market risks arise only in the banking book as it does not have a trading book. Market risk exposures arise mainly from the change in value of fixed-rate mortgages and savings driven by changes in market interest rates.

To reduce this exposure, the Society's Treasury function undertakes hedging activities which include creating natural hedges where the interest rate risks generated from fixed-rate mortgages and savings are offset against each other. The remaining net exposure is managed using derivatives. ALCo set and monitor limits for the quantum of exposure within rolling annual time buckets.

A description of their policies for hedging and mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges

The Society's risk appetite for market risk recognises that to ensure maximum member value a limited amount of market risk will remain due to:

- Enhancing operational efficiency - eliminating all market risk would involve a larger volume of derivative and foreign exchange transactions which increases operational costs; and
- Stability of earnings - hedging risks with derivatives for which effective hedge accounting is not possible could create earnings volatility.

b) A description of the structure and organisation of the market risk management function

ALCo is responsible for managing the market risk profile within the Board defined risk appetite. Market risk is managed within a comprehensive risk framework which includes policies, limit setting and monitoring, stress testing and robust governance controls. This includes setting and monitoring more granular limits within Board limits with relevant market risk metrics reported monthly to ALCo.

The Society's Market Risk Policy is reviewed and approved annually by the Board. The Market Risk Standard is reviewed and approved regularly by the Director of Treasury.

The Society has appropriate limits put in place to mitigate and allow effective monitoring of market risk. The key measures utilised by the Society include value and earnings sensitivity measures. These metrics are monitored and reported to ALCo monthly.

c) Scope and nature of risk reporting and measurement systems

The principal market risks to which the Society is exposed are listed below together with the types of risk reporting measures which are used to monitor such exposures.

Risk type	Definition	Reporting measure
Interest rate risk	The risk that market movements in interest rates negatively impact: • The Society's capital base through a reduction in value of the balance sheet • The Society's stability of earnings driven by changes in net interest income	Economic value of equity sensitivity / Economic value sensitivity / Net Interest income sensitivity / Value at risk / Earnings at risk
Basis Risk	The impact on earnings of relative changes in short-term interest rate benchmarks, for example between Bank Base Rate and SONIA	Net Interest income sensitivity, Earnings at risk
FX currency risk	The impact on earnings due to changes in exchange rates	FX Mismatch
Product option risk	The impact from changes to hedging which may be required when customer behaviour deviates from expectations, principally resulting from early repayment of fixed rate loans	Optionality analysis
Structural interest rate risk	The impact of changes in floating interest rates on net interest income and/or net asset value.	Duration / Net Interest income sensitivity

17.2 UK MR1: Market risk under the standardised approach

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

17.3 UK MRB: RWA flow statements of market risk exposures under the IMA

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

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

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

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

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

17.6 UK MR3: IMA values for trading portfolios

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

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

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

18 Annex XXXI: Operational Risk

18.1 UK ORA: Qualitative information on operational risk

a) Disclosure of the risk management objectives and policies

Operational risk is "the risk of financial or reputational loss as a result of inadequate or failed processes, people, systems or from external events." This incorporates resilience risk which is the inability to maintain important business services in response to unexpected or adverse events.

The Society manages operational risk across a range of sub-categories as outlined below:

- Legal & Regulatory Risk
- People Risk
- Information Security Risk
- IT Risk
- Operational Resilience Risk
- Data Risk
- Financial Crime Risk
- Financial Reporting Risk
- Third Party Management

The Operational Risk Management Framework (ORMF) forms part of the broader Enterprise Risk Management Framework (ERMF), and sets out the Society's approach to managing risks, through various processes, across the business at an operational level. The ORMF promotes a common understanding of operational risks across the Society, through standardised protocols and taxonomies to determine minimum internal standards. The framework is reviewed annually to reflect changes within either the Society's strategy or operating environment.

Under the ORMF it is the responsibility of each business area to ensure that risks are identified, assessed, managed, and monitored to support the achievement of functional and strategic objectives. These risks and associated controls are captured within departmental risk registers and are reviewed on a periodic basis. A formal Risk and Control Self-Assessment (RCSA) is conducted semi-annually to validate the accuracy of the risk and control environment to coincide with the preparation of the annual and interim financial statements. The outputs from each RCSA exercise are reported through to the Board Audit Committee, along with any actions identified to further improve the control environment. Oversight of risk and control assessments is provided by SMEs within Risk and by Internal Audit as part of an integrated assurance approach.

The ORMF also outlines the Society's approach to managing incidents, including those which incur a loss. This process ensures that incidents are investigated and resolved in a consistent and timely manner and are escalated where necessary. Incident reporting is received at either the Conduct and Operational Risk Committee (CORC) or Operational Resilience Committee (ORC), along with any root cause analysis and recommended action.

The Society applies a three lines of defence model to the management of operational risk, as outlined in section 3. This ensures that there is a clear delineation between ownership of risks and controls, oversight and independent assurance. Key accountabilities for the management of operational risk are as follows:

- The first line of defence responsibilities includes using operational risk management tools to identify and manage risks, maintaining an appropriate control environment, monitoring and reporting the operational risk profile, ensuring that the operational risk profile adheres to established risk appetite and tolerances, complying with policies, standards and guidelines and promoting a strong risk culture.
- The second line of defence responsibilities include designing operational risk management tools used by the business to identify and manage risks, applying "independent challenge" to the use and output of the operational risk management tools by the first line, developing and maintaining policies, standards, and guidelines, monitoring and reporting of the operational risk profile, designing and providing operational risk training and promoting a

strong risk culture. This also includes the implementation of the SRA Framework and review/challenge of proposed calibrations, prior to submission to Management Fora and oversight of monthly SRA reporting.

- Third line of defence responsibilities include independently verifying that the ORMF has been sufficiently well designed and implemented by both the first and second lines of defence, reviewing the “independent challenge” applied by the second line, reviewing monitoring, reporting and governance processes and promoting a strong risk culture.

From a risk governance perspective, the Board has delegated responsibility for the oversight of operational risk to the BRC, via the CORC and the ORC, which itself is supported by specialist Working Groups mandated to maintain an appropriate control environment. Operational risk reporting is overseen by the Society’s Chief Risk Officer.

b) Disclosure of the approaches for the assessment of minimum own funds requirements

The Society adopts ‘The Standardised Approach’ (TSA) for the purpose of calculating its Pillar 1 capital requirement for operational risk. This is determined as average total income over the last three years per defined business line multiplied by a prescribed regulatory risk factor. As a mutual lender, the Society’s operational risk capital requirement is primarily derived from retail banking activities. The operational risk capital holding is approved by the CORC and BRC annually.

The Society also utilises scenario analysis, based on both internal and external loss data, to understand its operational risk profile under extreme, but plausible events. The outputs of these scenarios are then used to inform management whether further capital requirements are necessary for operational risk, in addition to minimum capital holdings outlined above. As a result of its 2024 stress testing outputs and in line with regulatory requirements, the Society holds additional Pillar 2 capital for operational risk. Levels of capital held for operational risk remain significantly more than the actual loss experience of the Society.

c) Description of the Advanced Measurement Approach (AMA) methodology approach used and d) use of insurance for risk mitigation

Not applicable as the Society does not apply the Advanced Measurement Approach.

18.2 UK OR1: Operational risk own funds requirements and risk-weighted exposure amounts

Table 37 (UK OR1): Operational risk own funds requirements and risk-weighted exposure amounts Retail Banking £m		31 December 2024				
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
		a	b	c	d	e
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	381.6	357.3	378.2	44.7	558.5
3	*Subject to TSA:*	381.6	357.3	378.2		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Operational risk own funds requirements and risk-weighted exposure amounts Retail Banking £m		31 December 2023				
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
		a	b	c	d	e
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	287.0	381.6	357.3	41.0	513.0
3	*Subject to TSA:*	287.0	381.6	357.3		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

19 Annex XXXIII: Remuneration Policy

19.1 UK REMA: Remuneration policy

a) Information relating to the bodies that oversee remuneration

Name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.

The Society's Remuneration Committee is established to support the Board in achieving its objectives and responsibilities. The Remuneration Committee reports directly to the Board. Details of the composition of the Remuneration Committee can be found in the Directors' Remuneration Report on page 136 of the Society's Annual Report and Accounts.

The Committee ensures that the remuneration policies, principles and practices support the long-term interests of the Society and are appropriate to attract, reward and retain talented Executive Directors and Material Risk Takers (MRTs) of the quality required to run the Society successfully. The Committee ensures performance related elements of remuneration are gender neutral, transparent, stretching and rigorously applied, having regard to the risk appetite of the Society and the views of members and other stakeholders.

The Society's Remuneration Policy is designed to provide fair remuneration packages, which support the long-term interests of the Society, and which attract, reward and retain talented colleagues, to enable the delivery of business objectives to support the Society's strategy, whilst providing value for members.

There were four scheduled Remuneration Committee meetings held during the financial year.

External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework.

The Remuneration Committee seeks the advice of independent external consultant as required. The external advisers to the Remuneration Committee in 2024 were PricewaterhouseCoopers LLP (PwC). The appointment of advisers is carried out on a basis of careful evaluation of potential providers against agreed criteria. PwC have confirmed that they do not have any conflict of interest in advising the Remuneration Committee.

A description of the scope of the institution's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries.

The Remuneration policy applies to all colleagues of the Society. It is Society policy to comply with all applicable laws and regulations, based on the Society's level 2 status, which includes the use of share-like instruments and different deferral and retention arrangements.

A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile.

The Society identifies MRTs in accordance with CRD V. All colleagues who are assessed as having a material impact on the Society's risk profile which includes senior management, colleagues who assume risks and colleagues who exercise control functions. The Society implements quantitative and qualitative criteria as prescribed in the regulation to determine colleagues who meet the definition. In addition, the Society conducts a localised risk assessment of all roles to ensure that potential MRTs that could impact the business are considered. According to the above criteria, the identified staff comprised 34 colleagues across the Society at year-end 2024, accounting for approximately 1.8% of total staff. (31 December 2023: 39).

b) Information relating to the design and structure of the remuneration system for identified staff.

An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders.

The Remuneration Policy is designed to provide 'fair' remuneration packages to attract, reward and retain desired colleagues focussing on ensuring effective and sound risk management through:

- a robust governance structure for setting objectives and considering outcomes in the context of a defined risk assessment process;
- including both financial and non-financial goals in performance objectives and results assessments;
- alignment with the Society's Purpose, values, long-term objectives, environmental, social and governance (ESG) related objectives and key priorities;
- ensuring that fixed salary is the main component of total remuneration, to create an acceptable and fair relationship between risk and reward;
- ensuring that monetary and/or non-monetary forms of remuneration does not introduce incentives whereby Relevant Persons favour their own interests, or the institution's interests, to the detriment of consumers;
- ensuring remuneration and recognition practices promote a healthy culture that is consistent with our purpose, behaviours and strategy;
- ensuring remuneration and recognition practices promote diversity and inclusion and avoid unconscious bias;
- ensuring that variable pay elements are transparent, avoid unnecessary complexity and do not encourage risk taking outside the level of risk tolerated by the Society; and,
- ensuring that variable remuneration does not trigger a breach of regulatory prescribed or internal limits.

The Society commits that an advisory vote on the Remuneration Policy will take place once a year, unless the approved Policy remains unchanged, in which case it commits to propose a similar resolution at least every three years. This vote is in addition to the annual advisory vote on the Directors' Remuneration Report. Further details in relation to the roles of the relevant stakeholders in the decision-making process used for determining the remuneration policy can be found throughout these disclosures, and the Committee Terms of Reference are available at:

www.leedsbuildingsociety.co.uk/your-society/about-us

Information on the criteria used for performance measurement and ex ante and ex post risk adjustment.

The Society uses variable pay to align reward with performance by assessing a range of measures, considering risk and long-term performance. Our risk adjustment framework provides a discretionary assessment of performance against a range of factors (e.g. risk appetite, behaviours, financial/non-financial measures). In determining the level of appropriate risk adjustment, consideration will be given to Corporate Objectives, Personal Performance, Ex-post Incident, Deferral, Ex-Ante and Clawback Adjustments. The Risk Function submits an annual report to the Remuneration Committee (following BRC endorsement) summarising proposals for any remuneration adjustment (including malus and/or clawback).

Circumstances in which malus and clawback provision may be used are:

1. Any significant breach of Strategic risk appetite metrics.
2. Any significant intra year incidents or ex-ante subjective risks.

Annex XXXIII: Remuneration Policy

Whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration.

During the year ending 2024 the Remuneration Committee conducted its annual review of the remuneration policy, based on key principles, guided by:

- ensuring compensation is structured to attract, motivate and retain high performing colleagues;
- remuneration should promote a healthy, diverse and inclusive culture;
- remuneration should support the business strategy and the Purpose; and
- promoting alignment of approach across the organisation.

Further details on the Remuneration Policy are set out in the Directors' Remuneration Report on pages 138 to 151 of the Annual Report and Accounts for the year ended 31 December 2024.

Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee.

For MRTs in charge in Control Functions (Risk, Compliance, HR and Internal Audit), payment of variable remuneration is determined on the achievement of personal objectives (linked to the delivery of the requirements within the function) and demonstration of behaviours.

The individual objectives of these positions are aligned to the performance of the control function rather than business results. Performance of the control function must be assessed by senior colleagues who are independent of the business units being supervised. Fixed remuneration of MRTs in charge of Control Functions align to our Society wide policy: being gender neutral, determined based on the role and position of the individual colleague, including professional experience, seniority, responsibility, job complexity, market conditions, and having due regard to the remuneration trends across the rest of the Society.

Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.

The Society does not award guaranteed variable remuneration to colleagues, including MRTs, unless there is an exceptional circumstance. Such an award would be restricted to hiring new colleagues in their first year of service. Where it is necessary to make a variable remuneration award, payments will be subject to the requirements of the Remuneration PRA Handbook and FCA dual-regulated Remuneration Code.

Payments made due to termination of employment (e.g. redundancy) are based on the employment contract reflecting factors such as performance and length of service. No awards would be made due to material misconduct.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.

All elements of variable pay are subject to risk and performance adjustment at the time of the award and risk adjustment on an ex-post basis (malus) during the deferral period and also on an ex-ante basis.

The Remuneration Committee seeks input from the Board Risk Committee when determining whether any performance or risk adjustments are required. The Remuneration Committee, in determining the final awards, may apply judgement to assess performance in the round. When assessing performance in the round the Remuneration Committee may take into account, inter alia, wider market, regulatory and stakeholder considerations. In its absolute discretion, the Remuneration Committee may, in circumstances where a metric(s) or objective(s) can no longer be met, or fails, or would fail, to meet the principles of the Remuneration Policy, modify, remove or substitute the relevant metric(s) or objective(s).

d) The ratios between fixed and variable remuneration

All variable pay schemes are reviewed regularly to ensure that the fixed and variable components are appropriately balanced and that the fixed element represents sufficiently high proportion of total remuneration to allow the possibility to pay no variable remuneration. The level of fixed pay is set at a level deemed sufficiently high so that inappropriate risk-taking is not encouraged.

All variable pay in respect of year ending 31 December 2024 operated within the Society's remuneration policy limit, which has been set no greater than 100% of fixed pay.

e) Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration.

An overview of main performance criteria and metrics for institution, business lines and individuals.

The Society's performance management framework forms the basis of measuring the performance of colleagues, which in turn determines the level of awards to individuals. Colleagues' objectives (and the assessment) are based on performance of the individual. The assessment of performance considers the behaviours and delivery of objectives.

To receive an award under any variable pay arrangement, all colleagues including MRTs must meet a satisfactory level of individual performance.

The Society's variable pay schemes are designed to:

- Encourage the delivery of business objectives to support the Society's Purpose, strategy and long-term success.
- To reward and retain key leadership people within the Society, by providing competitive variable remuneration as part of the total remuneration package.
- To encourage and reward consistent and superior performance and consistent behaviours.

The Society's challenging performance objectives are aligned to our Purpose and Corporate Plan, recognising short-, medium- and long-term goals. The elements are made up of financial and non-financial elements which are equally weighted. This approach ensures that performance is assessed at a firm, individual and business unit level.

Details of the measures, targets and performance outcomes under the Society's variable pay arrangements can be found in the Directors Remuneration report in the 2024 Annual Report and Accounts.

An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.

The Society operates a Senior Leadership Bonus Scheme. The maximum amount payable under this scheme is 20% split between:

Society Performance – 10%

Personal Objectives – 10%

Performance measures are agreed by the Remuneration Committee at the start of each year and reflect business priorities.

Personal performance objectives, appropriate to the responsibilities of each Executive Director and Chief Officer, are set at the start of each year and agreed by the Remuneration Committee. Included in the personal objectives, 3% of the award was allocated in 2024 to the demonstration of colleague behaviours.

The 20% maximum for the Executive Director, Chief Officer, or Director in a control function, is based on a range of personal objectives only, of which 6% of the award is allocated to the demonstration of colleague behaviours.

Non-Executive Directors do not receive performance related pay.

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All colleagues with the exception of those in Leadership Schemes participate in an Annual Bonus Scheme which operates an on-target and maximum award opportunities which are set at the start of the performance year and reflect the individual role with the Society. Award outcomes will be determined based on the assessment set above.

All variable pay in respect of the year ending 31 December 2024 operated within the Society limit of 100% of fixed pay.

Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments.

In line with the requirements of the UK Remuneration Code 50% of variable remuneration awarded to MRTs is made in share-like instruments over the relevant deferral and retention periods, should the PRA rulebook or the FCA Remuneration Code deem deferral applicable. The remainder of any awards is paid in cash.

Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics.

All variable pay outturns are assessed against a range of financial and non-financial performance measures. Performance is measured by the achievement of a range of corporate objectives based on performance measures, linked to Board approved Society and personal objectives. All elements of the scheme including any potential weak performance metrics are subject to risk adjustment, which are assessed by our risk adjustment framework and methodology at the time of the award and on an ex post basis (malus) during the deferral period, for the full range of reasons set out in the Remuneration Code. The Society's Risk function and Board Risk Committee assess business and personal behavioural performance in their assessment of risk adjustment. The Remuneration Committee is responsible for approving the bonus awards and has full discretion to apply any reduction factor to any payment as a result of the outcome of the risk adjustment process. Clawback will be applied as required by the Remuneration Code.

f) Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance.

An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.

For the senior population, including MRT roles, all variable pay awards are subject to deferral. The deferral and payment in share-like instruments arrangements for MRTs are determined by the requirements of the PRA Rulebook and the FCA Remuneration Code. At least 50% of variable remuneration for MRTs, where deferral is applicable, is delivered in share-like instruments. This applies to both upfront and deferred elements of the awards.

The vesting of deferred awards is subject to continued employment (other than in the case of employment being terminated in circumstances where the colleague is a good leaver) and is subject to the Society's rules on performance adjustment, malus and clawback.

Our Risk Adjustment framework provides the process and governance relevant for making decisions in relation to individual performance adjustments, including malus and clawback.

Information of the institution's criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).

All variable pay awards made to MRTs are subject to malus and clawback arrangements. Awards are subject to clawback for up to ten years in the event of an ongoing internal/regulatory investigation at the end of the seven-year period, in line with regulatory requirements. These requirements will continue to apply if the individual leaves employment with the Society.

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All MRTs in receipt of variable pay plans are not allowed to undermine the performance of the arrangement of the Society's ability to take action in relation to their variable pay as a result of any form of risk exposure, by using personal investment strategies such as hedging.

Where applicable, shareholding requirements that may be imposed on identified staff.

Not applicable as the Society is a mutual and therefore does not have shareholders.

g) Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments.

The annual scheme for the Senior Leadership Team provides for a maximum bonus of 20% of basic (reference) salary and comprises of two core elements, Society Performance (Blueprint Performance Measures) and Personal Performance.

The Society Performance Measures element will be made up of either three or four measures (further information is set out in the Annual Report and Accounts 2024) agreed by the Remuneration Committee at the start of the performance year. These three or four measures carry a maximum bonus of 10%. Each metric is equally weighted and subject to Remuneration Committee approval.

The personal performance element carries a maximum bonus of 10%. Each member of the Senior Leadership Team will have up to four personal objectives. 30% of the Personal Performance element was allocated to the demonstration of colleague behaviours in 2024.

h) Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.

Details of the remuneration of our Executive and Non-Executive Directors can be found in the Report of the Directors on remuneration set out in the Annual Report and Accounts 2024.

i) Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.

The Society applied the derogation laid down in Article 94(3)(b) of CRD where an individual's annual variable remuneration (a) does not exceed £44,000 and (b) does not represent more than 33% of the individual's total annual remuneration.

Where this derogation applies, the Society applies the approach set out in section (f) above in relation to the application of deferral and payment in share-like instruments.

Details of the individuals in which this derogation was applied in respect of 2024 are set out below:

Number of staff benefitting from the derogation laid down in Article 94(3)b of CRD for 2024	Total fixed remuneration	Total variable remuneration
26	£4,535,378	£471,819

j) Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.

See tables UK REM 1, 2, 3, 4 and 5.

Annex XXXIII: Remuneration Policy

19.2 UK REM1: Remuneration awarded for the financial year

Table 38 (UK REM1): Remuneration awarded for the financial year			31 December 2024 MB Supervisory function	MB Management function	Other senior management	Other identified staff
			a	b	c	d
1	Fixed remuneration	**Number of identified staff**	**9**	**4**	**6**	**15**
2		**Total fixed remuneration (£000)**	**699**	**2,203**	**1,933**	**3,171**
3		Of which: cash-based	699	1,966	1,729	2,840
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	237	204	331
9	Variable remuneration	**Number of identified staff**	**9**	**4**	**6**	**15**
10		**Total variable remuneration (£000)**	**-**	**478**	**185**	**527**
11		Of which: cash-based	-	239	132	439
12		Of which: deferred	-	143	21	35
UK-13a		Of which: shares or equivalent ownership interests	-	-	-	-
UK-14a		Of which: deferred	-	-	-	-
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	239	53	88
UK-14b		Of which: deferred	-	239	53	88
UK-14x		Of which: other instruments	-	-	-	-
UK-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**699**	**2,681**	**2,118**	**3,698**

			31 December 2023 [6] MB Supervisory function	MB Management function	Other senior management	Other identified staff
			a	b	c	d
1	Fixed remuneration	**Number of identified staff**	**9**	**4**	**9**	**17**
2		**Total fixed remuneration (£000)**	**633**	**2,102**	**2,202**	**2,584**
3		Of which: cash-based	633	1,876	1,972	2,298
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	226	230	286
9	Variable remuneration	**Number of identified staff**	**9**	**4**	**9**	**17**
10		**Total variable remuneration (£000)**	**-**	**450**	**231**	**414**
11		Of which: cash-based	-	225	156	354
12		Of which: deferred	-	135	30	24
UK-13a		Of which: shares or equivalent ownership interests	-	-	-	-
UK-14a		Of which: deferred	-	-	-	-
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	225	75	60
UK-14b		Of which: deferred	-	225	75	60
UK-14x		Of which: other instruments	-	-	-	-
UK-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**633**	**2,552**	**2,433**	**2,998**

[6] The analysis of fixed and variable remuneration for the year ending 31 December 2023 has been restated.

19.3 UK REM2: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Table 39 (UK REM2): Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	31 December 2024 MB Supervisory function a	MB Management function b	Other senior management c	Other identified staff d
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	n/a	-	-	-
2	Guaranteed variable remuneration awards -Total amount (£000)	n/a	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	n/a	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	n/a	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount (£000)	n/a	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	n/a	-	2	1
7	Severance payments awarded during the financial year - Total amount (£000)	n/a	-	163	73
8	Of which paid during the financial year	n/a	-	30	73
9	Of which deferred	n/a	-	133	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	n/a	-	30	73
11	Of which highest payment that has been awarded to a single person	n/a	-	133	73

		31 December 2023 [7] MB Supervisory function a	MB Management function b	Other senior management c	Other identified staff d
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	n/a	-	-	-
2	Guaranteed variable remuneration awards -Total amount (£000)	n/a	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	n/a	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year	-	-	-	-
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	n/a	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount (£000)	n/a	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	n/a	-	2	-
7	Severance payments awarded during the financial year - Total amount (£000)	n/a	-	192	-
8	Of which paid during the financial year	n/a	-	192	-
9	Of which deferred	n/a	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	n/a	-	192	-
11	Of which highest payment that has been awarded to a single person	n/a	-	144	-

[7] The categorisation of identified staff for the year ending 31 December 2023 has been restated.

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19.4 UK REM3: Deferred remuneration

Table 40 (UK REM3): Deferred and retained remuneration		31 December 2024							
		Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
£000		a	b	c	d	e	f	UK - g	UK - h
1	**MB Supervisory function**	-	-	-	-	-	-	-	-
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	**MB Management function**	1,203	163	1,040	-	-	-	163	-
8	Cash-based	538	69	469	-	-	-	69	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	665	94	571	-	-	-	94	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management**	105	17	88	-	-	-	17	-
14	Cash-based	30	2	28	-	-	-	2	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	75	15	60	-	-	-	15	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	99	-	99	-	-	-	-	-
20	Cash-based	28	-	28	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	71	-	71	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	1,407	180	1,227	-	-	-	180	-

		31 December 2023 [8]							
		Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
£000		a	b	c	d	e	f	UK - g	UK - h
1	**MB Supervisory function**	-	-	-	-	-	-	-	-
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	**MB Management function**	1,043	201	842	-	-	-	201	-
8	Cash-based	497	94	403	-	-	-	94	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	546	107	439	-	-	-	107	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management**	34	-	34	-	-	-	-	-
14	Cash-based	10	-	10	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	24	-	24	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	-	-	-	-	-	-	-	-
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	3	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	1,077	201	876	-	-	-	201	-

[8] The analysis of deferred remuneration for the year ending 31 December 2023 has been restated.

19.5 UK REM4: Remuneration of 1 million EUR or more per year

Table 41 (UK REM4): Remuneration of 1 million EUR or more per year

	2024	
	€ Euros	Identified staff that are high earners as set out in Article 450(i) CRR
		a
1	1,000,000 to below 1,500,000	1

	2023	
	€ Euros	Identified staff that are high earners as set out in Article 450(i) CRR
		a
1	1,000,000 to below 1,500,000	-

19.6 UK REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Table 42 (UK REM5): Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	31 December 2024									
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
		a	b	c	d	e	f	g	h	i	j
1	**Total number of identified staff**										34
2	Of which: members of the MB	9	4	13							
3	Of which: other senior management				-	2	-	2	2	-	
4	Of which: other identified staff				-	5	-	8	2	-	
5	**Total remuneration of identified staff (£000)**	**699**	**2,681**	**3,380**	**-**	**1,925**	**-**	**2,751**	**1,140**	**-**	
6	Of which: variable remuneration	-	478	478	-	187	-	377	148	-	
7	Of which: fixed remuneration	699	2,203	2,902	-	1,738	-	2,374	992	-	

		31 December 2023 [9]									
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
		a	b	c	d	e	f	g	h	i	j
1	**Total number of identified staff**										39
2	Of which: members of the MB	9	4	13							
3	Of which: other senior management				-	3	-	3	3	-	
4	Of which: other identified staff				-	5	-	10	2	-	
5	**Total remuneration of identified staff (£000)**	**633**	**2,552**	**3,185**	**-**	**1,808**	**-**	**2,429**	**1,194**	**-**	
6	Of which: variable remuneration	-	450	450	-	185	-	332	128	-	
7	Of which: fixed remuneration	633	2,102	2,735	-	1,623	-	2,097	1,066	-	

[9] The analysis of business areas, and fixed and variable remuneration for the year ending 31 December 2023 has been restated

20 Annex XXXV: Encumbered and Unencumbered Assets

20.1 UK AE1: Encumbered and unencumbered assets

Table 43 (UK AE1): Encumbered and unencumbered assets		31 December 2024							
		Carrying amounts of encumbered assets	of which: notionally eligible EHQLA and HQLA	Fair value of encumbered assets	of which: notionally eligible EHQLA and HQLA	Carrying amounts of unencumbered assets	of which: notionally eligible EHQLA and HQLA	Fair value of unencumbered assets	of which: notionally eligible EHQLA and HQLA
£m		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**7,738.3**	**-**			**19,488.9**	**-**		
030	Equity instruments	-	-	-	-	-	-	-	-
040	Debt securities	134.3	-	134.3	-	2,887.1	2,815.2	2,887.1	2,815.2
	of which:								
050	Covered Bonds	-	-	-	-	693.2	686.9	693.2	686.9
060	Securitisations	-	-	-	-	612.3	554.4	612.3	554.4
070	Issued by general governments	129.4	-	131.8	-	1,208.9	1,206.3	1,208.9	1,206.3
080	Issued by Financial Corporations	4.9	-	5.0	-	1,752.0	1,192.7	1,752.0	1,192.7
090	Issued by Non-Financial Corporations	-	-	-	-	-	-	-	-
120	Other assets	7,604.0	-			16,601.8	-		

		31 December 2023							
		Carrying amounts of encumbered assets	of which: notionally eligible EHQLA and HQLA	Fair value of encumbered assets	of which: notionally eligible EHQLA and HQLA	Carrying amounts of unencumbered assets	of which: notionally eligible EHQLA and HQLA	Fair value of unencumbered assets	of which: notionally eligible EHQLA and HQLA
£m		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**7,604.9**	**-**			**16,542.2**	**-**		
030	Equity instruments	-	-	-	-	-	-	-	-
040	Debt securities	189.9	-	187.3	-	2,103.0	1,957.0	2,103.0	1,957.0
	of which:	-	-	-	-	-	-	-	-
050	Covered Bonds	-	-	-	-	737.9	737.4	737.9	737.4
060	Securitisations	-	-	-	-	279.6	278.1	279.6	278.1
070	Issued by general governments	189.9	-	187.3	-	799.1	799.3	799.1	799.3
080	Issued by Finanical Corporations	-	-	-	-	1,303.9	1,023.0	1,303.9	1,023.0
090	Issued by Non-Financial Corporations	-	-	-	-	-	-	-	-
120	Other assets	7,415.0	-			14,439.2	-		

Annex XXXV: Encumbered and Unencumbered Assets

20.2 UK AE2: Collateral received and own debt securities issued

Table 44 (UK AE2): Collateral received by the reporting institution		31 December 2024			
		Fair value of encumbered collateral received or own debt securities issued	of which: notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	of which: notionally eligible EHQLA and HQLA
£m		010	030	040	060
130	**Collateral received by the reporting institution**	**-**	**-**	**324.0**	**-**
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	324.0	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			**10.6**	**-**
250	**Total assets, collateral received and own debt securities issued**	**7,746.9**	**134.3**		

		31 December 2023			
		Fair value of encumbered collateral received or own debt securities issued	of which: notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	of which: notionally eligible EHQLA and HQLA
£m		010	030	040	060
130	**Collateral received by the reporting institution**	**-**	**-**	**486.5**	**-**
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	486.5	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			**51.2**	**-**
250	**Total assets, collateral received and own debt securities issued**	**7,671.0**	**189.9**		

Annex XXXV: Encumbered and Unencumbered Assets

20.3 UK AE3: Sources of encumbrance

Table 45 (UK AE3): Sources of encumbrance		Matching liabilities, contingent liabilities or securities lent		Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered	
		Dec-24	Dec-23	Dec-24	Dec-23
		010	010	030	030
010	**Carrying amount of selected financial liabilities**	**4,007.9**	4,458.1	**7,568.5**	7,393.2

Annex XXXV: Encumbered and Unencumbered Assets

20.4 UK AE4: Accompanying narrative information

a) General narrative information on asset encumbrance

Asset encumbrance occurs through the pledging of assets to secured creditors. The Society may encumber assets for a number of reasons, including 1) to attain short / long term funding through repo/securities lending arrangements; 2) attain long term funding through secured funding transactions, such as securitisations and covered bond issuances; 3) to attain funding from the Bank of England funding schemes such as the Term Funding Scheme with additional incentives for SMEs (TFSME) and their other liquidity facilities; and 4) to collateralise derivative exposures through CSAs with counterparties and through centralised derivative clearing.

There is no difference between the consolidation scope applied for the purposes of asset encumbrance disclosures and that applied for the application of liquidity requirements on a consolidated basis. Similarly, there is no difference between the treatment of assets deemed to have been pledged or transferred and their treatment for the purposes of asset encumbrance disclosures.

The disclosures have been compiled in accordance with PRA Guidelines and are based on median values on a quarterly basis over the last twelve months. As a result, the below disclosures will differ from equivalent data presented in the Annual Report and Accounts, which reflect balances at the end of the financial year.

b) Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template UK AE1 and UK AE2.

The Society maintains a level of asset encumbrance in line with the scale and scope of its operations. The majority of its encumbrance arises from its wholesale funding activities: its covered bonds and residential mortgage-backed security programmes (Albion 5 and Albion 6), as well as Bank of England funding schemes and sale and repurchase transactions. Please refer to section 10 for more information. A further source of encumbrance arises in relation to collateral arrangements pertaining to derivative contracts.

For capital purposes, the Society is required to calculate and maintain regulatory capital ratios on a consolidated basis. As a result, encumbrance is also considered and reported on a consolidated basis; there is no material difference in the level of encumbrance at Group and Society level.

The Society voluntarily maintains a buffer of over-collateralisation across its covered bond and securitisation programmes. The Society is also over-collateralised in relation to certain London Clearing House (LCH) Clearnet contracts. Collateralisation agreements are discussed in section 15 of this document.

All encumbered assets are denominated in sterling as they primarily relate to mortgages originated in the UK.

Residential mortgages comprise the majority of unencumbered assets in table 43 (UK AE1) providing potential additional contingent funding capacity. Only a small proportion of the unencumbered assets are deemed unavailable for encumbrance such as intangible assets, deferred tax, property, plant and equipment and derivatives.

The mortgage assets in the secured funding pools, excluding those relating to securitisations repurchased by the Society, are considered encumbered for regulatory reporting purposes.

Row 120 “other assets” in table 43 (UK AE1) primarily relates to loans and advances to customers. Encumbrance arises where mortgages are used as collateral for secured funding, with the corresponding liabilities included in Row 010 “carrying amount of selected financial liabilities” of table 45 (UK AE3). As noted above, mortgage assets used as collateral for securitisations repurchased by the Society are excluded from UK AE3.

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

21.1 UK IRRBBA: IRRBB risk management objectives and policies

a) A description of how the institution defines, measures, mitigates and controls IRRBB for the purposes of risk control and measurement.

The Society's interest rate risk arises in the banking book; it does not have a trading book. Interest rate risk, which is defined as the impact of market movements in interest rates, which affects both value and interest rate margin realised from lending and borrowing activities, is a key component of the Society's market risk framework.

Market risk is managed within a comprehensive risk framework which includes policies, limit setting and monitoring, stress testing and robust governance controls. The Board is responsible for setting market risk appetite, and ALCo is responsible for managing the market risk profile, including interest rate risk, within this defined risk appetite. This includes setting and monitoring more granular limits within Board limits, with relevant risk metrics reported monthly to ALCo. Governance and controls are also in place for the models and systems which are used to measure interest rate risk.

Consistent with other risk categories, IRRBB is subject to the Society's Three Lines of Defence model with oversight undertaken by Second Line and assurance provided by Third Line (Internal Audit). This includes an independent Model Risk Oversight function which sets validation standards and undertakes initial and regular validation of models.

The key interest rate risks to which the Society is exposed are:

- Interest rate risk;
- Basis risk;
- Product option and pipeline risk (fixed-rate mortgage prepayment and take-up risk and fixed-rate savings access risk); and
- Structural interest rate risk.

Refer to the Market Risk section of the Risk Report within the Annual Report and Accounts 2024 for further details of these specific risk types.

b) A description of the institution's overall IRRBB management and mitigation strategies.

Interest rate risk specifically is managed and mitigated through a combination of:

- monitoring and reporting risk exposures;
- matching or offsetting exposures;
- appropriate use of derivatives;
- the design of appropriate product features, such as early repayment charges; and
- setting an appropriate internal transfer price for product risks.

c) The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific risk measures that the institution uses to gauge its sensitivity to IRRBB, including changes to its economic value and earnings.

Interest rate risk is measured using a combination of value-based assessments and earnings sensitivity assessments. Internal risk limits are also set for these metrics.

Annex XXXVII: Interest Rate Risk in the Banking Book

Economic Value (EV) and Economic Value of Equity (EVE) are measured at least weekly and reported to ALCo monthly. Each measure can be assessed more frequently in the event of market conditions changing.

Net Interest Income (NII) sensitivities are measured and reported to ALCo monthly. NII is complemented by Earnings at Risk (EaR) which is a more risk sensitive simulation of historic market volatility. A statistically significant number of severe yet plausible interest rate scenarios are computed to obtain a 95% confidence of the EaR exposure.

d) A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in its economic value and in earnings.

The Society's EVE and NII sensitivities are calculated in accordance with the PRA's regulatory requirements, with the following six prescribed interest rate shocks applied. Note that NII sensitivity is assessed against the parallel shock up and parallel shock down only.

- Parallel shock up;
- Parallel shock down;
- Steepener shock;
- Flattener shock;
- Short rates shock up; and
- Short rates shock down.

For the purposes of NII sensitivity, more likely scenarios are assessed, which include a +/- 25 basis point change in interest rates. The EaR also assesses NII sensitivity under severe yet plausible interest rate scenarios.

e) A high-level description of key modelling and parametric assumptions used in calculating change in economic value of equity (ΔEVE) and change in net interest income (ΔNII) in Template UK IRRBB1.

The key assumptions used in calculating the EVE sensitivity shown in table 46 (UK IRRBB1) are as follows:

- The sensitivity represents the difference between the present value of the balance sheet in a baseline scenario and the shock scenarios. The Society's own equity is excluded.
- The balance sheet at the report date is run off over its remaining expected duration.
- The yield curve at the report date is instantaneously shocked in line with the six prescribed scenarios. This includes GBP rates being shocked by 250 basis points and EUR rates by 200 basis points in the parallel shocks. A floor of -100 basis points is applied which is unwound by 5 basis points per annum for twenty years until the rate returns to 0%. This floor and assumed recovery is consistent with regulations and is applied to the relevant shock scenarios where rates would otherwise become significantly negative.
- All commercial margins are excluded from discount rates and cash flows leaving only the base funding interest and principal cashflows
- Behavioural risk modelling is used to estimate the change in the extent to which customers use options contained in retail products, specifically part or full prepayment of fixed-rate mortgages.
- Non-maturing deposits are assumed to reprice overnight unless they have been deemed to be core, in which case they are assumed to reprice in line with their associated hedging.

The key assumptions used in calculating the NII sensitivity shown in template UK IRRBB1 are as follows:

- Constant balance sheet over a one-year horizon, with all assets and liabilities maturing within the year reinvesting in like-for-like products at constant average margin.

- The prevailing yield curve at the report date is implied forward over the one-year horizon to which instantaneous parallel interest rate shocks are applied, with GBP rates being shocked by 250 basis points and EUR rates by 200 basis points in the parallel shocks.
- It is assumed that 100% of any change in interest rates is passed through to retail products, which includes managed rate variable products.
- The sensitivities do not include any management actions which could be taken in response to a change in interest rates and the values are reported on a pre-tax basis.

f) A description of significant modelling assumptions used in the institution's internal measurement systems (IMS) for purposes other than disclosure that differ from the modelling assumptions prescribed for the disclosure in Template UK IRRBB1, including their directional implications and the rationale for those differences.

The key assumptions for EVE and NII sensitivity presented in template UK IRRBB1 are consistent with the Society's internal measures. For the purposes of internal reporting, the Society include additional more likely rate scenarios to those prescribed shocks.

Additionally, the Society consider the impact of varying interest rate change pass on assumptions for ourselves and competitors to measure the impact of competitive basis risk and resulting changes in member behaviour.

g) A high-level description of how the institution hedges its IRRBB, as well as the associated accounting treatment.

Interest rate risk is hedged primarily through a combination of matching or offsetting exposure and the appropriate use of derivatives.

The Society has a structural hedging programme in place to stabilise earnings as interest rates change for net free reserves and core non-maturing deposits.

Details of the accounting treatment of the Society's derivatives and hedge accounting are set out in note 31 of the Society's Annual Report and Accounts.

h) Any other information which the institution wishes to disclose regarding its interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBB since previous disclosures.

EVE sensitivity, which is monitored monthly, measures the change in the value of the Society's assets and liabilities, excluding equity, arising from a change in interest rates.

Our most severe EVE sensitivity is the parallel shock up, with a decline in EVE of £139.1m (31 December 2023: £35.8m). The change in EV exposure from parallel shock up is a result of positioning our balance sheet in response to the latest rate view. This represents a Supervisory Outlier Test (ΔEVE as a percentage of Tier 1 capital) result of 8.8% (31 December 2023: 2.3%), which is within the 15% regulatory threshold.

The EVE sensitivity primarily relates to the estimated change in customer behaviour and the extent to which they are assumed to use product optionality in the scenario and the impact of short-term timing mismatches which may arise from the hedging of fixed-rate retail products at a tranche level.

NII sensitivity, which is monitored monthly, measures the extent to which NII is affected by changes in interest rates.

NII sensitivities will vary over time due to several factors, such as the timing of maturing assets and liabilities, product pricing, market conditions, and strategic changes to the balance mix. As such, they should not be considered as a guide to future performance.

Annex XXXVII: Interest Rate Risk in the Banking Book

The parallel shock down results in a reduction in NII of £10.0m (31 December 2023: £6.1m).This result is influenced by the assumption that the rate change is fully passed through to managed rate retail mortgage and savings balances and fixed-rate mortgages and savings which reinvest during the one-year horizon.

i) Average repricing maturity assigned to non-maturing deposits (NMDs).

The average repricing maturity assigned to non-maturing deposits is 0.2 years. This is calculated using both balances which are assumed to reprice overnight (non-core) and those which have been assigned a term repricing profile (core).

j) Longest repricing maturity assigned to NMDs.

The longest repricing maturity assigned is 4.9 years.

21.2 UK IRRBB1: Quantitative information on IRRBB

Table 46 (UK IRRBB1): Quantitative information on IRRBB		ΔEVE		ΔNII		Tier 1 capital	
		Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
£m		a	b	c	d	e	f
010	*Parallel shock up*	(139.1)	(35.8)	14.9	9.9		
020	*Parallel shock down*	74.9	18.4	(10.0)	(6.1)		
030	*Steepener shock*	10.2	9.0				
040	*Flattener shock*	(45.5)	(24.1)				
050	*Short rates shock up*	(87.1)	(33.5)				
060	*Short rates shock down*	45.6	17.3				
070	**Maximum**	**(139.1)**	(35.8)	**(10.0)**	(6.1)		
080	**Tier 1 capital**					**1,584.9**	**1,508.9**

22 Contact Information

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

Andrew Conroy, Chief Financial Officer

At the Society's Registered Office:

Leeds Building Society

26 Sovereign Street

Leeds

West Yorkshire

LS1 4BJ

23 Glossary and Abbreviations

Assets and Liabilities Committee (ALCo)	A Society Board level committee which oversees treasury policy, financial risk management, wholesale funding and liquidity.
Basel III Framework	Basel III is the third capital adequacy framework issued by the Basel Committee on Banking Supervision, which defines the capital and liquidity rules for banks and building societies. The framework has been embedded into UK law through the European Capital Requirements Directive V (CRD V).
Capital Requirements Directive (CRD)	Directives enacted by PS29/20 introduced by the PRA on the 28th December 2020 regarding access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
Capital Requirements Regulation (CRR)	Regulation (EU) No 575/2013 of the European Parliament on-shored in the UK post-Brexit by the Withdrawal act regarding prudential requirements for credit institutions and investment firms.
Common Equity Tier 1 (CET1) capital	CET1 capital is the highest quality form of capital and comprises general reserves from retained profits, less the book values of any pension surplus, goodwill and intangible assets and other regulatory adjustments as defined under CRD V.
Common Equity Tier 1 (CET1) capital ratio	This is a regulatory ratio, calculated as the total of CET1 capital divided by Risk Weighted Exposure Amounts (RWEAs).
Counterparty Credit Risk	This is the risk that a customer or counterparty is unable to pay the interest or to repay the capital on a loan when required.
Covered bonds	Debt securities which are backed by a portfolio of mortgages which is segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds.
Credit quality steps	A credit quality assessment scale as set out in CRD V (risk weights under the Standardised Approach to credit risk).
Credit risk	The potential to incur losses from the failure of a borrower or counterparty to meet its obligation to pay interest or repay capital on an outstanding loan.
Credit risk mitigation	Techniques to reduce the potential loss in the event that a customer (borrower or counterparty) becomes unable to meets its obligations. This may include the taking of financial or physical security, the assignment of receivables or the use of credit derivatives, guarantees, credit insurance, set off or netting.

Glossary and Abbreviations

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

	other repayable funds from the public and to grant credits for its own account. An investment firm is defined in Article 4 of the Markets in Financial Instruments Directive (Directive 2004/39/EC of the European Parliament and of the Council) as any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis.
Interest rate risk	Interest rate risk is the exposure of a firm's financial condition to adverse movements in interest rates.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The Group's own internal assessment of the level of liquidity that it needs to hold in respect of regulatory liquidity requirements in relation to a number of stressed scenarios.
Internal Ratings Based (IRB) Approach	An approach for measuring exposure to credit risk which is more sophisticated than the Standardised Approach, where an entity can calculate its own risk weights for certain assets. The IRB approach may be Foundation or Advanced. IRB approaches can only be used with the permission of the Prudential Regulation Authority.
Leverage Ratio	The leverage ratio calculation, specific to CRD V, is calculated as Tier 1 capital divided by total exposures (including on- and off-balance sheet items) without any consideration of underlying risk. The leverage ratio reinforces the risk-based capital requirements as a non-risk based 'backstop'. The UK leverage ratio is specific to the UK regulatory regime and only applies to financial institutions with deposits of £50bn or more, however, it is monitored by the Society as part of its Purpose Scorecard for information. The calculation excludes deposits with central banks from the leverage exposure measure.
Loan to Value (LTV)	A ratio which expresses the amount of a mortgage as a percentage of the value of the property on which the mortgage is secured. The Group calculates residential mortgage LTV on an indexed basis (the value of the property is updated on a quarterly basis to reflect changes in the house price index (HPI)).
London Clearing House (LCH)	An independent rates and multi-asset clearing house. LCH are a central counterparty which facilitates the exchange of multiple types of transactions.

Glossary and Abbreviations

Loss Given Default (LGD)	A parameter used in relation to credit risk exposures modelled under the IRB approach; an estimate of the difference between the EAD and the net amount recovered, expressed as a percentage of the EAD.
Market risk	The risk that movements in market risk factors, including foreign exchange rates, interest rates and customer-driven factors will create losses or decrease portfolio values.
Maturity	The remaining time the borrower is permitted to take to fully discharge their contractual obligation (principal, interest and fees) under the terms of a loan agreement.
Minimum capital requirement	The minimum amount of regulatory capital that a financial institution must hold to meet the Basel III Pillar 1 requirements for credit, market and operational risk.
Minimum Requirements for Own Funds and Eligible Liabilities (MREL)	MREL is the minimum amount of equity and subordinated debt a firm must maintain to support an effective resolution.
Operational risk	The risk of loss arising from inadequate, inefficient or failed internal processes, human resources, systems or external events (for example fraud).
Permanent Interest Bearing Shares (PIBS)	Unsecured, deferred shares that were a form of Tier 2 capital.
Loans Past Due	Loans past due occur when a borrower has failed to make a payment when it is contractually due.
Pillar 1	The parts of CRD V which set out the minimum capital requirements for credit, market and operational risk
Pillar 2	Those aspects of CRD V which set out the process by which the Society should review its overall capital adequacy and the processes under which the regulators/supervisors evaluate how well financial institutions are assessing their risks and take appropriate actions in response the institutions' assessments.
Pillar 3	The part of CRD V governing the production of this document. It sets out information disclosures relating to risks, the amount of capital required to cover those risks, and the approach to risk management.
Potential future credit exposure (PFCE)	A measure defined as the maximum expected credit exposure over a specified period of time calculated at some level of confidence.
Probability of default (PD)	A measure of how likely a customer is to reach default over a defined period of time.

Glossary and Abbreviations

Provisions	Amounts set aside to cover incurred losses associated with credit risks.
Prudential Regulation Authority (PRA)	The UK regulatory body responsible for the prudential supervision of banks, building societies, insurers and a small number of significant investment firms.
Repurchase agreement (Repo)	A repurchase agreement allows a borrower to use a financial security as collateral for a cash loan at a fixed rate of interest. In a repo, the borrower agrees to sell a commitment to repurchase the asset at a specified price on a given future date. For the party selling the security and agreeing to repurchase the asset in the future, it is a reverse repo.
Residential mortgage backed securities (RMBS)	A category of asset backed security that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Risk Weighted Exposure Amounts (RWEAs)	A regulatory measure which adjusts the value of assets as recorded in the Statement of Financial Position to reflect the relative level of risk. This measure is used in calculating regulatory capital requirements. Also referred to as Risk Weighted Assets (RWA).
Securitisation	The process by which a group of assets (usually loans) is aggregated into a pool which is used to back the issuance of new securities. A company transfers assets to a special purpose entity which issues securities backed by those assets. The Society has established securitisation structures (using residential mortgages as assets) as part of its funding activities.
Society	Leeds Building Society.
Special Purpose Entity (SPE)	A legal entity (usually a limited company of some type or, sometimes, a limited partnership) created to fulfil narrow, specific or temporary objectives. In the context of the Society, the SPEs are used in relation to securitisation activities.
Standardised approach	The approach used to calculate credit risk exposures and the related capital requirements. The method uses parameters determined by the regulator rather than internally and is less risk sensitive than IRB approaches. This will generally result in a higher capital requirement.
Supervisory Review and Evaluation Process (SREP)	The PRA's assessment of a firm's own capital adequacy assessment (ICAAP) under Basel III Pillar 2.
Tier 1 capital	A measure of financial strength as defined by the PRA. Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital is defined above.

Glossary and Abbreviations

Tier 2 capital	A further component of regulatory and financial capital as defined by CRD V.

Appendices

Appendix A: Tables not Presented

Annex	Reference	Name	Reason for omission
I	UK INS1	Insurance participations	The Society does not hold any own fund instruments in insurance or re-insurance firms.
I	UK INS2	Financial conglomerates information on own funds and capital adequacy ratio	The Society is not a financial conglomerate.
VI	UK PV1	Prudent valuation adjustments (PVA)	The Society does not apply the core approach for the determination of the additional valuation adjustment for prudent valuation.
XVI	UK CR2	Changes in the stock of non-performing loans and advances	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XVI	UK CR2A	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XVI	UK CQ2	Quality of forbearance	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XVI	UK CQ4	Quality of non-performing exposures by geography	Non-domestic exposures are below the 10% threshold (i.e. non-domestic exposures divided by total exposures) for disclosure.
XVI	UK CQ5	Credit quality of loans and advances to non-financial corporations by industry	As individual commercial loans could potentially be identified from this disclosure, for confidentiality reasons, in line with CRR article 432, table CQ5 has not been presented.
XVI	UK CQ6	Collateral valuation - loans and advances	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XVI	UK-CQ7	Collateral obtained by taking possession and execution processes	The Society does not recognise collateral obtained by taking possession on its balance sheet. Following repossession, the value of the associated loan asset is reduced to the recoverable amount. As UK CQ7 only discloses repossessed collateral held on the balance sheet, this table has not been presented.
XVI	UK CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	The Society has a non-performing loans ratio below the 5% threshold for disclosure.
XXII	UK CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	The Society does not use credit derivatives to mitigate credit risk.
XXII	UK CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	The Society does not use credit risk mitigation techniques under the IRB approach.
XXII	UK CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	The Society does not follow the approach described in point (f) of Article 180(1) CRR. Article 180(1) only applies to corporates, institutions, central governments, central banks and not retail, hence is not applicable.
XXIV	UK CR10	Specialised lending and equity exposures under the simple risk weighted approach	The Society does not employ slotting for any specialised lending exposures.
XXVI	UK CCR4	IRB approach – CCR exposures by exposure class and PD scale	The Society does not use IRB for counterparty credit risk exposures.
XXVI	UK CCR6	Credit derivatives exposures	The Society does not use credit derivatives to mitigate credit risk.
XXVI	UK CCR7	RWEA flow statements of CCR exposures under the IMM	The Society does not use the Internal Model Method for CCR exposures.
XXVIII	UK SEC2	Securitisation exposures in the trading book	The Society does not have a trading book.
XXVIII	UK SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	The Society has securitised mortgage loans through Albion No.5 plc and Albion No.6 plc. There are no capital requirements for these securitisation exposures due to no significant risk transfer.
XXX	UK MR1	Market risk under the standardised approach	The 2% threshold set out in the UK CRR has not been met.
XXX	UK MRB	RWA flow statements of market risk exposures under the IMA	The Society does not use the Internal Model Approach for market risk.
XXX	UK MR2A	Market risk under the internal Model Approach (IMA)	The Society does not use the Internal Model Approach for market risk.
XXX	UK MR2B	RWA flow statements of market risk exposures under the IMA	The Society does not use the Internal Model Approach for market risk.
XXX	UK MR3	IMA values for trading portfolios	The Society does not use the Internal Model Approach for market risk.
XXX	UK MR4	Comparison of VaR estimates with gains/losses	The Society does not use the Internal Model Approach for market risk.