Leeds Building Society

# 2024 Half Year Results

## Fixed Income Investor Presentation

# Contents

**We’ve been there for our members during tumultuous external events throughout our long history and our financial strength and security means we’ll continue to support them**

Richard Fearon, CEO

Leeds Building Society

## We have a clear purpose at our heart


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## 2024 H1 highlights

| | | |
| --- | --- | --- |
| Savings Balances | ↑ £22.4bn | FY 2023: £19.1bn |
| Average Savings rate | ↑ 3.61% | Market average 2.96% |
| Colleague Engagement | ↑ 8.4 / 10 | 2023: 8.3/10 |
| Customer Satisfaction | ↓ 93% | FY 2023: 94% |
| Gross Lending | ↑ £2.6bn | H1 2023: £1.9bn |
| Net Lending | ↑ £1.2bn | H1 2023: £0.4bn |
| CET1 | ↓ 25.8% | FY 2023: 28.2% |
| UK Leverage | ↓ 5.8% | 2023: 6.0% |
| PBT | ↓ £86.4m | H1 2023: £116.2m |
| NIM | ↓ 1.18% | FY 2023: 1.34% |
| Cost to Income ratio | ↑ 52.4% | FY 2023: 47.3% |
| Cost to Asset ratio | ↑ 0.64% | FY 2023: 0.63% |

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# We have stretching responsible business targets against our areas of focus, aligned to delivery of our Purpose

## We are delivering on 14 Responsible Business Key Performance Indicators

**We set targets in 2021 to monitor our progress.** These are kept under review to ensure they support the delivery of our purpose ambitions. For example, we've set new stretching Inclusion and Diversity targets in line with industry best practice, which replace previous targets. We've also introduced a new Scope 3 target and ambition, in addition to our existing climate targets.

### Supporting Home Ownership

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

**Progress: Ahead**

**2023 target:** 41,000 first time buyers supported by the end of 2023
**2023 actual:** 55,700 first time buyers supported by the end of 2023

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

**Progress: Achieved**

**2023 target:** +60 Broker NPS[2]
**2023 actual:** +62 Broker NPS[2]

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

**Progress: Achieved**

**2023 target:** >0.25%
**2023 actual:** 0.59%

### Sustainable Communities

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

**Progress: Ahead**

**2023 target:** £2.1m by end of 2023
**2023 actual:** £2.5m by end of 2023

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

**Progress: Achieved**

**2023 target:** >0.50%
**2023 actual:** 0.65% (as at March 2023)

### Inclusion and Diversity

Achieve 45% female representation in leadership roles by 2030.

**Progress: On track**

**2023 target:** 39%
**2023 actual:** 39%

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

**Progress: Ahead**

**2023 target:** 7.5%
**2023 actual:** 8.5%

Our Inclusion and Diversity colleague sentiment score is in top 25% of Financial Services by 2030.

**Progress: On track**

**Target:** Top 25% by 2030
**2023 actual:** 8.7 (on the cusp of top 25%)

### Climate and Environment

Reduce absolute Scope 1 and 2 market-based emissions by 90% by 2030.[5]

**Progress: Behind**

**2023 target:** 20% reduction
**2023 actual:** 29% increase

Reduce absolute Scope 1 and 2 location-based emissions by 60% by 2030.[5]

**Progress: Ahead**

**2023 target:** 13% reduction
**2023 actual:** 39% reduction

Maintain carbon neutrality for Scope 1 and 2 market-based emissions and selected Scope 3 emissions, on the pathway towards net zero.[6]

**Progress: Achieved**[7]

**2023 target:** 0 tCO2e
**2023 actual:** 0 tCO2e

Reduce absolute Scope 3 emissions (categories 1-14) by 25% by 2030.[5]

**Progress: Behind**

**2022 target:** -2.8% (latest data available)
**2022 actual:** -2.7% (latest data available)

Ambition to reduce the intensity of our Scope 3 financed emissions (category 15) from our residential mortgage book by 45% by 2030.[5]

**Progress: Behind**

**2022 target:** -5.0% (latest data available)
**2022 actual:** -0.1% (latest data available)

### Trust and Transparency

Maintain strong colleague engagement score which places us in line with the UK financial services sector benchmark.[8]

**Progress: Achieved**

**2023 target:** Top 25%
**2023 actual:** 8.3 (placing us in top 25%)

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

**Progress: Achieved**

**2023 target:** >90%
**2023 actual:** 94%

### Key

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

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

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

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

1. Broker satisfaction is captured by independent research of 900 interviews between January and December 2023 (75 per month). Overall customer satisfaction is captured from a survey of 3,612 members from January 2023 to December 2023.
2. The Net Promoter Score® (NPS) is a measure of satisfaction and loyalty to the Group based on survey responses. It measures the proportion of promoters (positive responses) less the proportion of detractors (negative responses). We use the NPS methodology to measure satisfaction among the brokers we work with.
3. CACI's CSDB, Stock, January 2023 to December 2023, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.
4. Based on bank and building society UK business count data, Office for National Statistics. March 2023.
5. Our carbon emission reduction targets begin from a 2021 base year. For more explanation of the definition of our climate targets please see pages 34 and 35.
6. In accordance with Climate Impact Partner's CarbonNeutral Protocol, this includes emissions from our business travel, fuel and energy related activities, waste generated in operations, and home working.
7. Subject to independent verification which will be completed during 2024. Any additional carbon offset credits that need to be purchased as a result of verification / final emissions calculations will be bought during 2024.
8. Our Employee Engagement Survey provider (Peakon) enables us to measure colleague sentiment and benchmark this against other financial services organisations in the UK.

# Financials

## Strong balance sheet growth offsetting contracting NIM

| £m | 2024 H1 | 2023 H1 |
|---|---|---|
| Net Interest Income | 170.9 | 173.4 |
| Other income | (21.0) | 2.5 |
| Fair value gains / (losses) | 4.6 | 21.3 |
| Total income | 154.5 | 197.2 |
| Management expenses and Depreciation | (93.3) | (79.7) |
| Loan impairments & provisions | (10.7) | (1.3) |
| Profit before tax | 50.5 | 116.2 |
| Tax expense | (12.3) | (27.0) |
| Profit after tax | 38.2 | 89.2 |

| Underlying profit before tax for the period was £86.4 million as shown below: | H1 2024 (£M) |
|---|---|
| Profit before tax | 50.5 |
| Add back exceptional items:<br>PIBS repurchase<br>Philips Trust Corporation – voluntary financial support | <br>23.4<br>12.5 |
| Underlying profit before tax | **86.4** |

- We remain focused on the long-term sustainability of the Society by balancing financial risks with the interests of members throughout this period of high interest rates and economic uncertainty.
- Net Interest Income remains in line with the prior year despite a lower NIM as a result of a more competitive mortgage market.
- Profit before tax for the first six months of 2024 was £50.5 million which includes two exceptional items totalling £35.9 million (no exceptional items in previous periods). Excluding exceptionals, underlying profit before tax remained strong at £86.4 million and was above H2 2023 (£65.3 million).

| Key Ratios (%) | | 2024 H1 | 2023 |
|---|---|---|---|
| Net interest margin | ⇩ | 1.18% | 1.26% |
| Cost income ratio | ⇧ | 52.4% | 47.3% |
| Cost asset ratio | ⇧ | 0.64% | 0.63% |
| Cost of Risk | ⇩ | (0.01%) | 0.02% |

## Robust lending and savings performance resulted in 5% growth – with a focus on promoting home ownership for more people

| £m | 2024 H1 | 2023 | Δ |
|---|---|---|---|
| Residential mortgages | 23,001 | 21,836 | 5.3% |
| - Owner Occupied | 12,058 | 10,959 | 10.0% |
| - BTL | 5,232 | 5,362 | -2.4% |
| - Shared Ownership | 3,265 | 3,050 | 7.0% |
| - *of which FTB* | *7,800* | *7,700* | 1.3% |
| Total assets | 29,994 | 28,146 | 6.6% |
| Member equity | 1,678 | 1,643 | 2.1% |
| Total liabilities and equity | 29,994 | 28,146 | 6.6% |

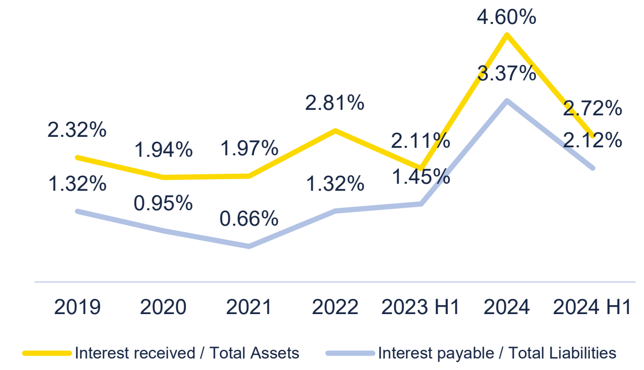
- We remain committed to helping first time buyers get on to the housing ladder in-line with our purpose. First time buyers represent 44.6% of our new borrowers during the first half of 2024.
- Despite reduction of our CET1 ratio, the Society remains in excess of all capital regulatory requirements and is well placed to meet any future regulations.
- During the first half of 2024, our savings performance has meant that we have maintained good levels of liquidity, ending the half year strong, which provides protection and flexibility in this uncertain economic environment.

| Key Ratios (%) | | 2024 H1 | 2023 |
|---|---|---|---|
| Liquidity Coverage Ratio | ⇩ | 184% | 227% |
| Wholesale Funding Ratio | ⇩ | 18.3% | 18.6% |
| CET1 Ratio | ⇩ | 25.7% | 28.2% |
| UK Leverage Ratio | ⇩ | 5.8% | 6.0% |
| MREL Ratio | ⇩ | 31.7% | 35.5% |

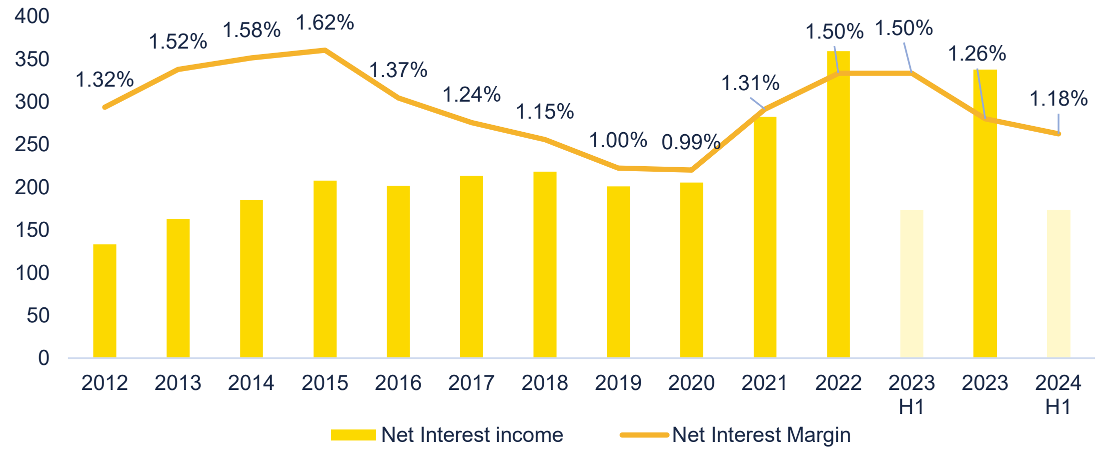
## NIM returns to trend as we continue to offer competitive rates to our members

- We achieved an underlying profit of £86.4 million, a significant increase compared to the second half of last year and reinforcing our ability to focus on our future (H2 2023: £65.3 million). As we progressed through the first half of 2024, our net interest margin has stabilised at 1.18% (H2 2023: 1.18%) and we consider the outlook for the second half of 2024 to remain positive.
- Despite the challenges, we remain focused on our purpose - continuing to support first-time buyers and other prospective and current members in home ownership.
- We consistently pay above average market rates to our savers, paying an average of 3.73% compared to the rest of market average of 3.07%.

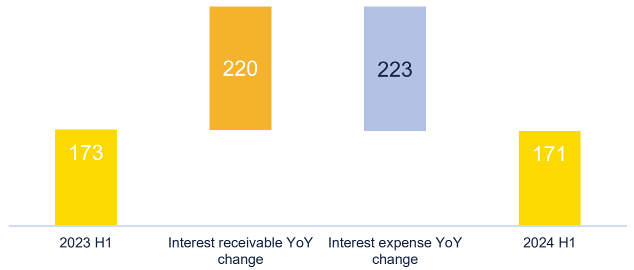
**Asset and liability average rates**




**NIM and NII**



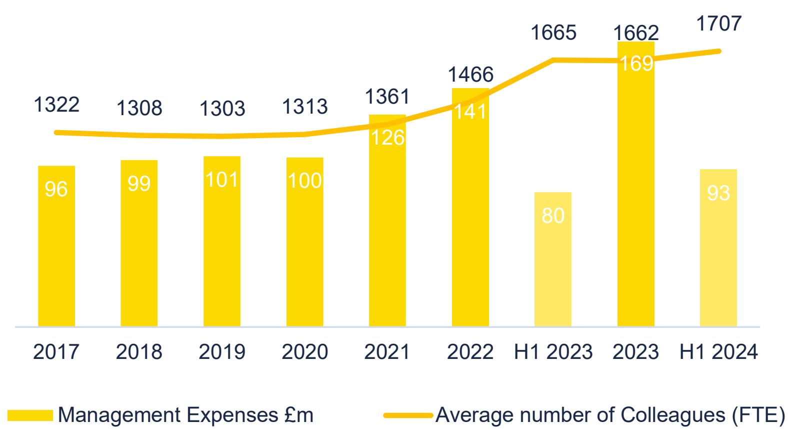

**NII bridge**



## Operating efficiently means we can serve our members in the best way

- Increases in costs reflect the investment made in our multi-year technology programme and long-term sustainability, but we maintain a strong focus on efficiency with close control over our costs. Our cost ratios remain among the best in our sector.
- If transformational costs are excluded, the cost to income ratio is 47.3% and the cost to mean asset ratio is 0.58%.
- To calculate our cost to income ratio we have removed the impact of the PIBS buy-back as this is considered to be an exceptional item in 2024.
- We continue to maintain tight control over our costs – balancing cost efficiency with the desire to increase member value through more resilient systems and improved service.

**Management expenses (£m) and Total Colleagues**




| Key Ratios (%) | | 2024 H1 | 2023 H1 |
|---|---|---|---|
| Cost to income ratio | ⇧ | 52.4% | 40.4% |
| Cost to mean asset ratio | ⇧ | 0.64% | 0.61% |

| £m | 2024 H1 | 2023 H1 |
|---|---|---|
| Colleague costs | 44.1 | 50.1 |
| Other administrative expenses | 34.9 | 25.2 |
| Depreciation and amortization | 5.1 | 4.4 |
| Ongoing management expenses | 84.1 | 79.7 |
| IT transformation spend | 9.2 | - |
| Total management expenses | 93.3 | 79.7 |

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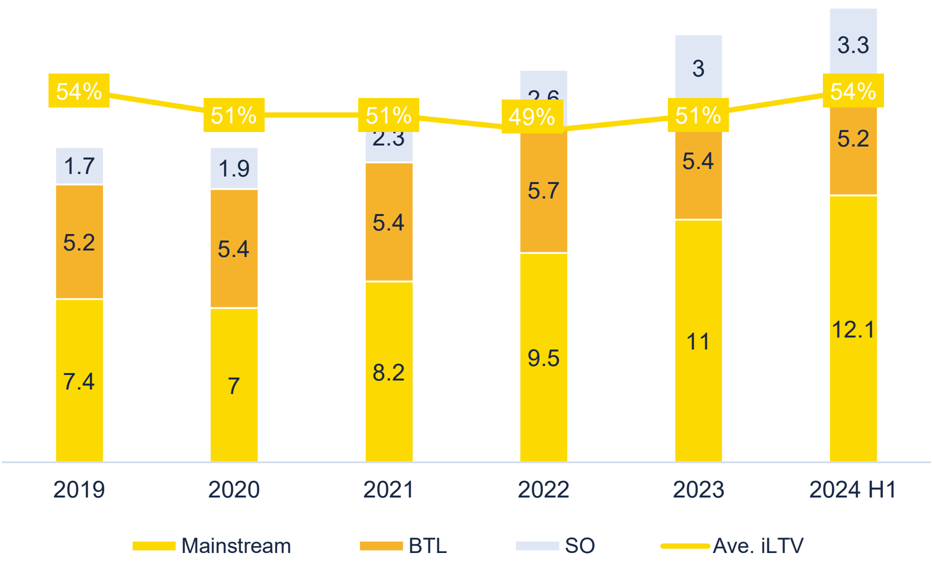
# Asset quality

## Our segmental focus provides access for those less well served by the wider market whilst balancing overall book risk – our purpose reinforces this as a differentiator

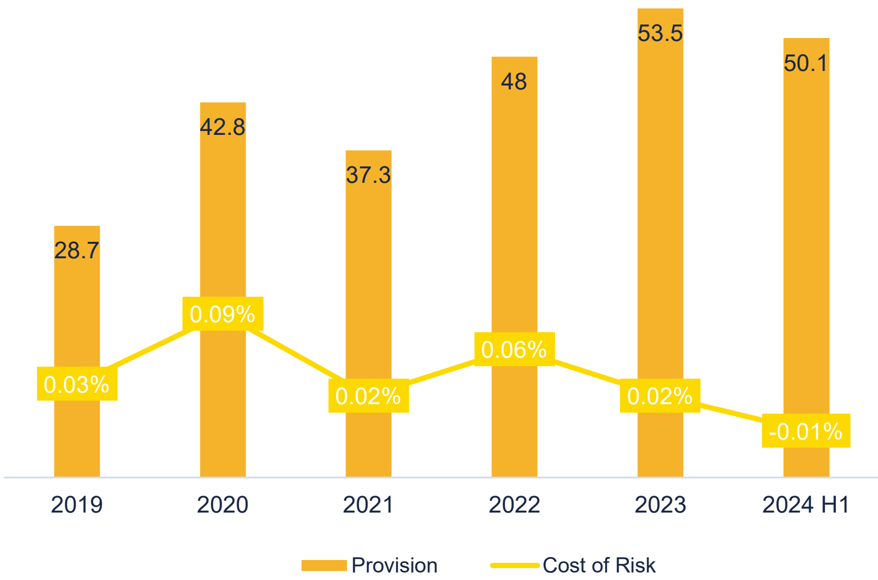
### Mortgage book evolution (£bn)

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




### Low historical provisions (£m) and Cost of Risk

Cost of risk has decreased as a result of stable provisions and an increase in lending.

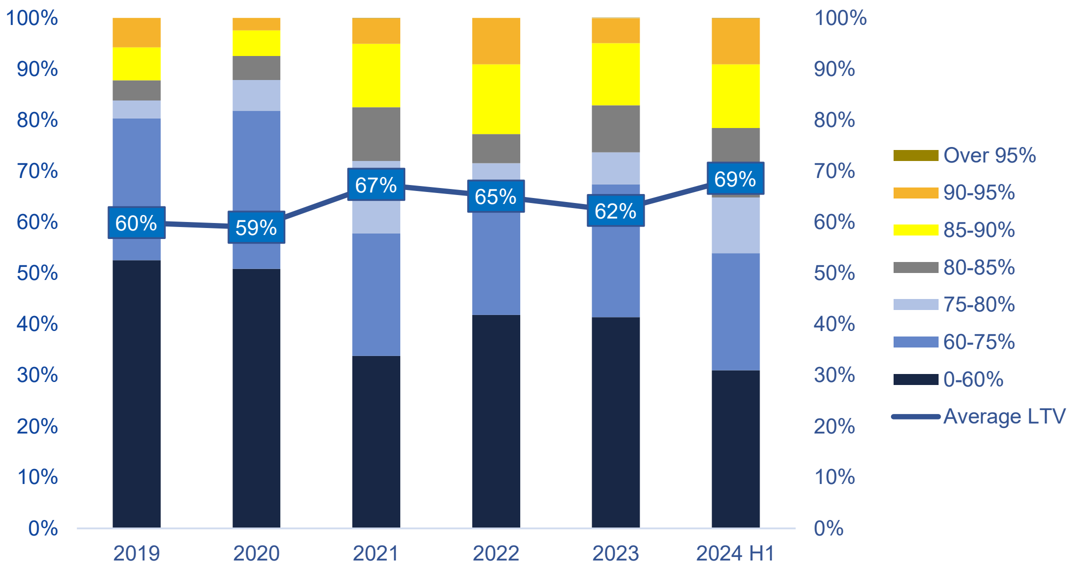


## We have improved lending criteria and maintained high quality lending

- We are closely monitoring the performance of the Society's lending portfolios and the appropriateness of credit policies, criteria and affordability assessments versus prevailing conditions.
- In particular, the Society has adjusted the stressed interest rate used in affordability assessments to account for the higher interest rate environment and ensure that asset quality is maintained at a very high level.
- We were one of the first lenders to sign up to the Mortgage Charter in 2023, demonstrating our commitment to supporting members in financial difficulty to remain in their homes.
- Deployment of pre-delinquency strategies to proactively engage members who may find themselves in financial difficulty.

| Residential Mortgage Asset Quality | | 2024 H1 | 2023 |
|---|---|---|---|
| Proportion of mortgages in arrears[1] | ⇧ | 0.69 | 0.68 |
| Indexed LTV[2] | ⇧ | 54.3 | 51.2 |
| LTV of new lending[3] | ⇧ | 68.6 | 62.3 |

**New lending by original LTV**

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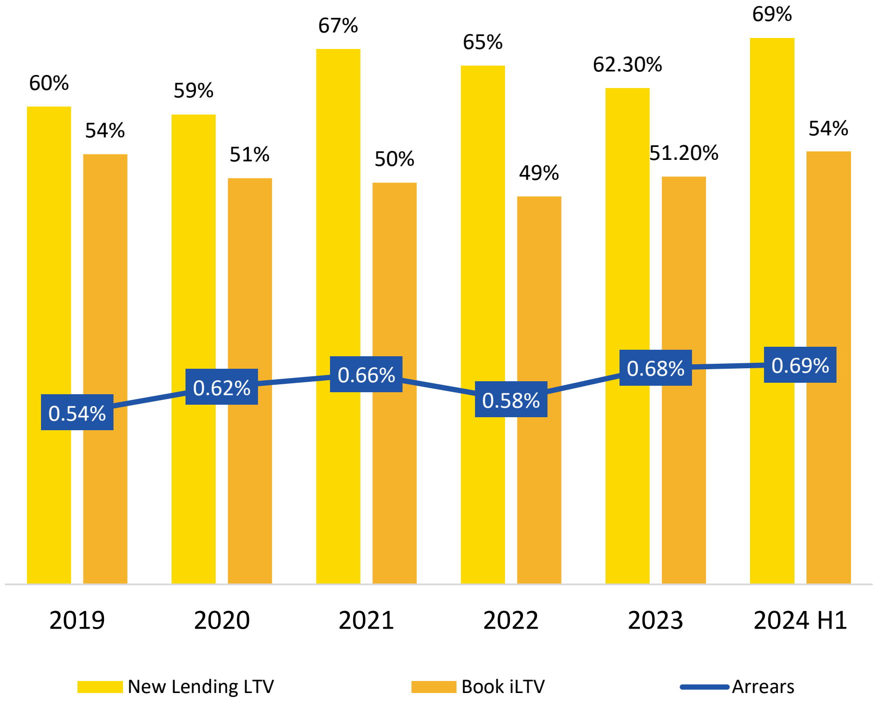
1 Arrears of more than 1.5% of the balance or in possession. 2 Balance-weighted average of indexed loan to value of mortgage portfolio. 3 Balance weighted average loan to value of new lending in 2024.

# Asset quality stable compared to industry average

**Portfolio and new lending LTV**




- Despite the challenges of the cost of living crisis and the increase in mortgage payments as customers move from existing maturing fixed deals, the proportion of balances greater than 1.5% in arrears has remained stable in the first half of the year at 0.69% (December 2023: 0.68%).
- Although the economy has shown signs of improvement in 2024, there is still downside risk due to market volatility and uncertainty in the external environment.

| Key Ratios (%) | | 2024 H1 | 2023 H1 |
|---|---|---|---|
| Arrears Rate (> 1.5% Bal) | ⇔ | 0.69% | 0.68% |
| LBS UK portfolio >3mths Rate | ⇩ | 0.61% | 0.62% |
| UK Finance >3mths Rate | ⇧ | 0.94% (Q1 2024) | 0.91% |
| Forbearance Balances | ⇧ | £127.0m | £117.4m |

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## Provision coverage remains high in response to future economic uncertainty and affordability concerns

- Provision coverage remains high at 0.22% which is considered appropriate when facing into continued uncertainty.
- PMAs include the potential impacts of the relatively high residential mortgage rates on customer affordability, although the stressed affordability assessments performed when mortgages are originated provide assurance that the majority of customers can absorb some level of affordability stress.
- We have recognised an additional PMA which reflects the consideration of climate risk, specifically the physical risk associated with flooding and coastal erosion.
- We retain PMAs on uncertainty over the timing of remediation of cladding issues in high rise flats.

| Post Model Adjustments | £m |
|---|---|
| Economic Uncertainty/Affordability | 14.3 |
| Inadequate Cladding | 1.0 |
| Transaction bias | 1.1 |
| Climate Risk | 0.6 |
| **Total PMAs** | **£16.9m (2023: £20.8m)** |

| | 2024 H1 | | 2023 | | Δ |
|---|---|---|---|---|---|
| | Gross Exposure £m | Provision Coverage % | Gross Exposure £m | Provision Coverage % | Gross Exposure % |
| Stage 1 | 18,901 | 0.03 | 17,670 | 0.03 | 7.0 |
| Stage 2 and <30 days past due | 3,699 | 0.69 | 3,791 | 0.76 | -2.4 |
| Stage 2 and 30+ days past due | 112 | 2.22 | 111 | 2.61 | 0.9 |
| Stage 3 and <90 days past due | 141 | 1.13 | 125 | 1.68 | 12.8 |
| Stage 3 and 90+ days past due | 148 | 10.15 | 139 | 10.37 | 6.5 |
| **Total Retail Mortgages** | **23,001** | **0.22** | **21,836** | **0.24** | **5.3** |

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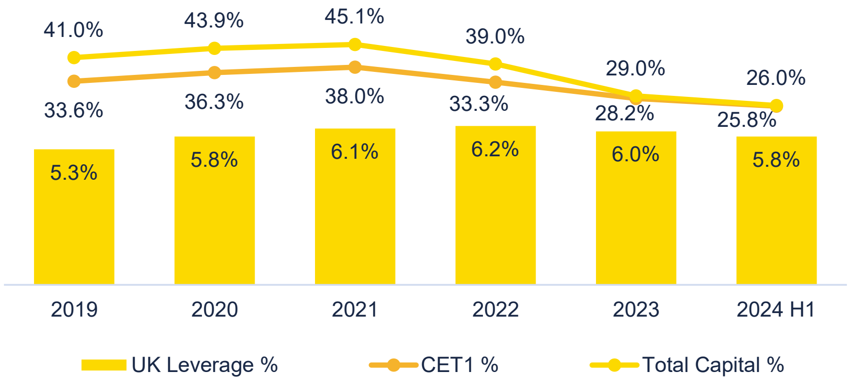
# Capital, Liquidity and Funding

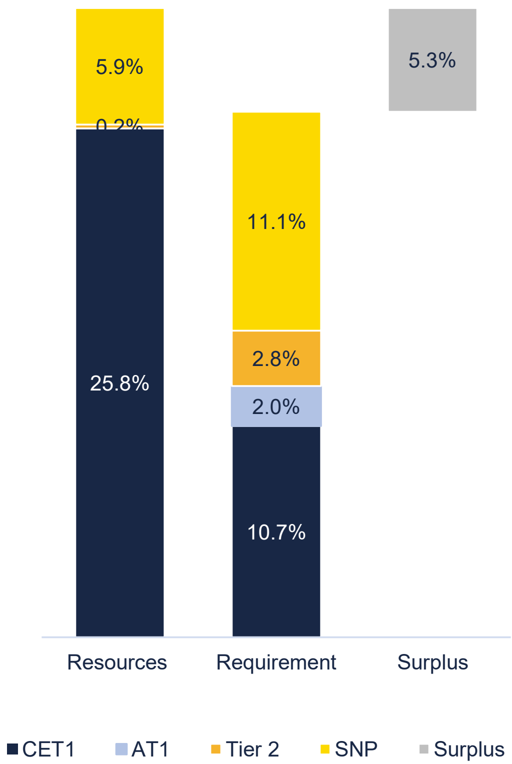
# Very well capitalised despite the introduction of new hybrid models

## Capital ratios remain very strong

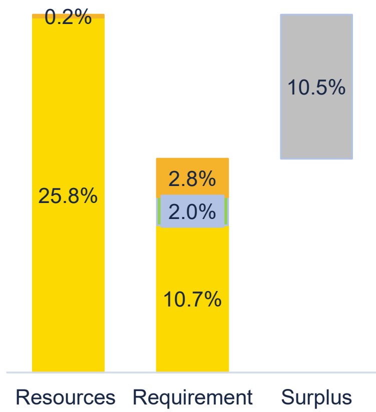



- UK leverage ratio has remained broadly stable and comfortably above internal limits.
- Our CET1 ratio has reduced in H1 2024. The decrease was primarily driven by the repurchase of PIBS and the cost of the voluntary financial support scheme for customers who were impacted by the collapse of Philips Trust Corporation.
- The Society remains in excess of all capital regulatory requirements and continues to forecast significant headroom moving forward.

## MREL




## Total Capital

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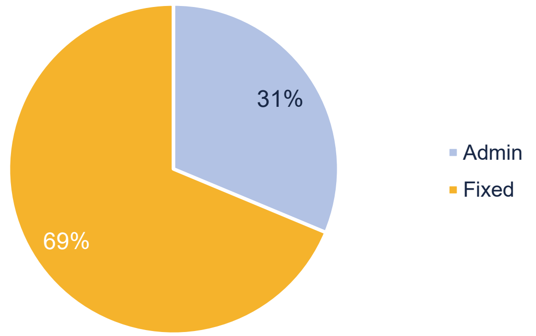
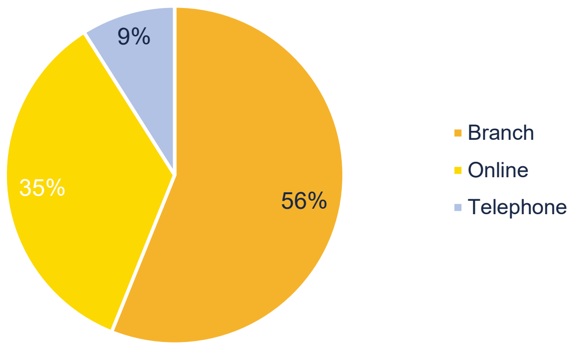
## The Society's savings balances have reached a record £22.4 billion

- Our savers benefitted from us paying 0.66% above the market average on savings rates, generating the equivalent of £135m in benefit for members.
- We attracted 47,500 new savings members, pushing our overall membership to a record 945,300 (Dec 2023: 919,000).
- The Society's savings balances have reached a record £22.4 billion and total assets are up 6.8% to an all-time high of £30.0 billion (Dec 2023: £28.1 billion).
- Change in the funding mix, with an increase of admin proposition whilst still maintaining our fixed franchise, will support margin going forward.

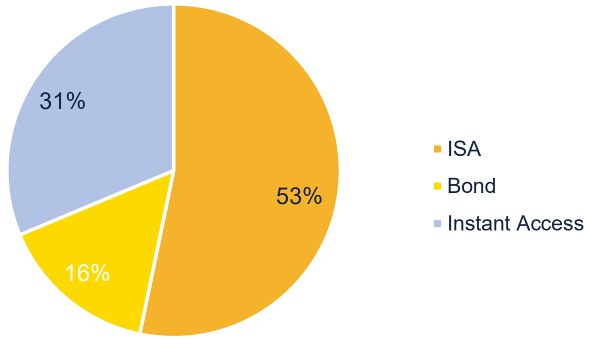
### Savings by basis




### Savings by channel




### Savings by type

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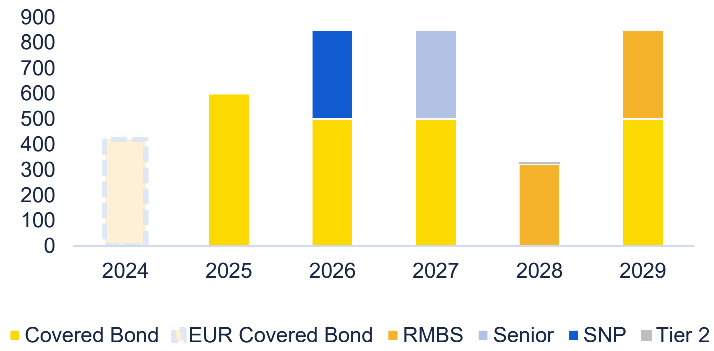
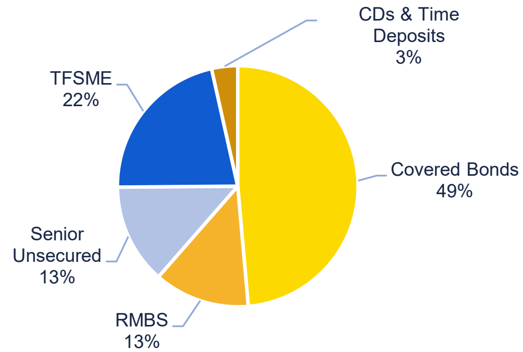
# Wholesale funding strategy presents a smooth refinancing profile

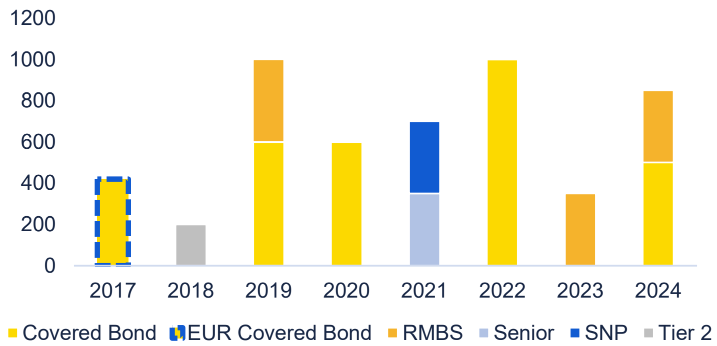
## Smooth wholesale refinancing



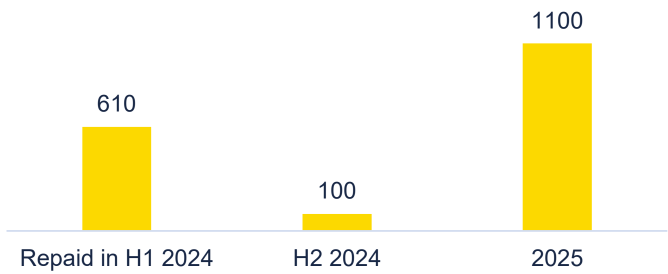

## Wholesale funding by type




## Consistent public issuance




## TFSME Repayment Profile




- Total wholesale funding at 30 June 2024 was £5.0 billion (December 2023: £4.7 billion) which is 18.3% of total funding.
- During the year to date we have raised £850 million of external wholesale funding through a successful Covered Bond and securitisation issuances.
- In H1 2024 we repaid £610 million of TFSME funding. At FY 2024 half of the original TFSME funding will have been repaid.

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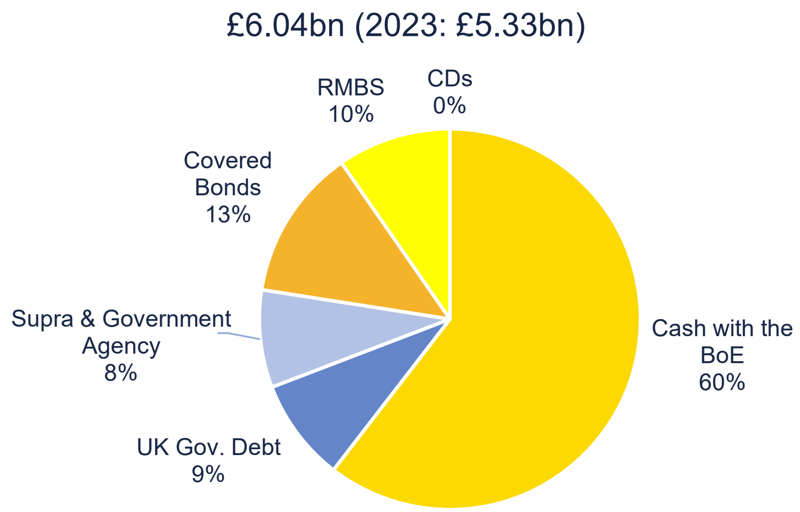
## 2024 starts with very healthy liquidity, giving solid foundations for macro uncertainty

- During the first half of 2024, our savings performance has meant that we have maintained good levels of liquidity, ending the half year strong, which provides protection and flexibility in this uncertain economic environment.
- At 30 June 2024, liquidity included £5.9 billion of High Quality Liquid Assets (December 2023: £5.0 billion), which are either in cash or are readily realisable as cash when required. 100% of assets are rated A or above (December 2023: 100%). We also have access to additional contingent liquidity through the Bank of England's Sterling Monetary Framework.

**Liquidity ratios remain sound**


**High quality liquidity portfolio**



# Key contacts

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# Appendices

# Appendix 1 Mortgage book stratifications

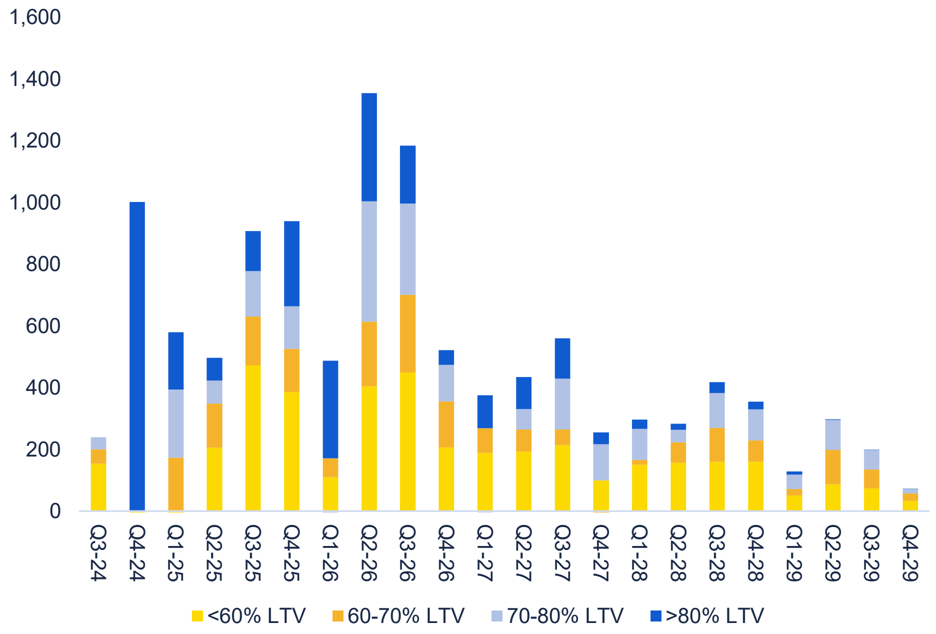
| New Business 2024 H1 (Completed Applications) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-BTL | | BTL | | Total | | |
| | £bn | % of Total | £bn | % of Total | LTV Banding | £bn | % of Total |
| **0-60%** | 0.63 | 26.8% | 0.16 | 78.3% | 0-60% | 0.80 | 31.0% |
| **60-75%** | 0.55 | 23.1% | 0.05 | 21.6% | 60-75% | 0.59 | 22.9% |
| **75-80%** | 0.28 | 11.9% | | | 75-80% | 0.28 | 11.0% |
| **80-85%** | 0.35 | 14.8% | | | 80-85% | 0.35 | 13.6% |
| **85-90%** | 0.32 | 13.6% | 0.00 | 0.1% | 85-90% | 0.32 | 12.5% |
| **90-95%** | 0.23 | 9.8% | | | 90-95% | 0.23 | 9.0% |
| **Over 95%** | 0.00 | 0.0% | | | Over 95% | 0.00 | 0.0% |
| **Total** | **2.37** | | **0.21** | | Total | 2.58 | |
| **Average LTV** | **68.2%** | | 46.4% | | | | |

| Loan Book Balances | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-BTL | | BTL | | Total | | |
| | £bn | % of Total | £bn | % of Total | Indexed LTV | £bn | % of Total |
| **0-50%** | 7.1 | 39.8% | 3.2 | 60.9% | 0-50% | 10.2 | 44.6% |
| **50-60%** | 2.3 | 12.7% | 1.3 | 24.4% | 50-60% | 3.6 | 15.4% |
| **60-70%** | 2.6 | 14.5% | 0.5 | 10.3% | 60-70% | 3.1 | 13.5% |
| **70-80%** | 2.4 | 13.7% | 0.2 | 4.3% | 70-80% | 2.6 | 11.5% |
| **80-90%** | 2.3 | 13.0% | 0.0 | 0.1% | 80-90% | 2.3 | 10.0% |
| **90-100%** | 1.1 | 6.2% | 0.0 | 0.0% | 90-100% | 1.1 | 4.8% |
| **Over 100%** | 0.0 | 0.1% | 0.0 | 0.0% | Over 100% | 0.0 | 0.1% |
| **Total** | **17.7** | | **5.2** | | **Total** | **23.0** | |
| **Indexed LTV** | **49.9%** | | **41.5%** | | | | |

# Appendix 2 Smooth fixed rate mortgage run-off, helping balance the impact of repricing

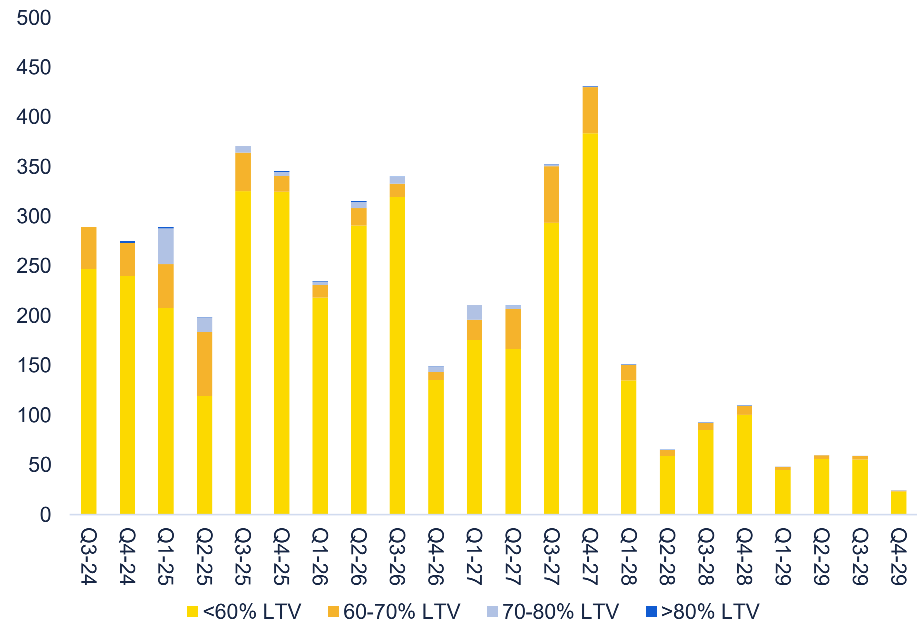
- 27%  and 29% of the fixed rate prime and BTL portfolios respectively are due to contractually mature in the next 12 months.

**Fixed rate prime portfolio (£m)**




**Note: Prime includes Vanilla Owner Occupied*

**Fixed rate BTL portfolio (£m)**




**Note: BTL includes BTL, Portfolio BTL, Ltd Co BTL, HMO and Holiday Let*

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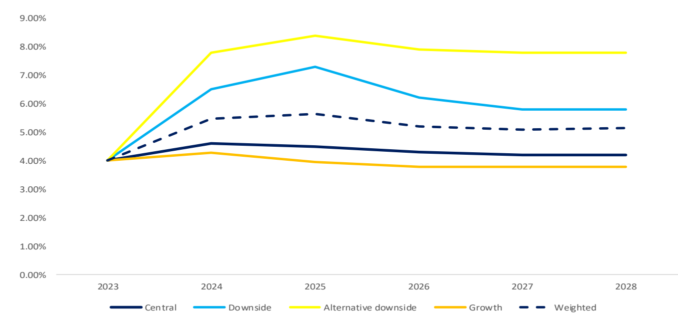
# Appendix 3 Macroeconomic scenarios

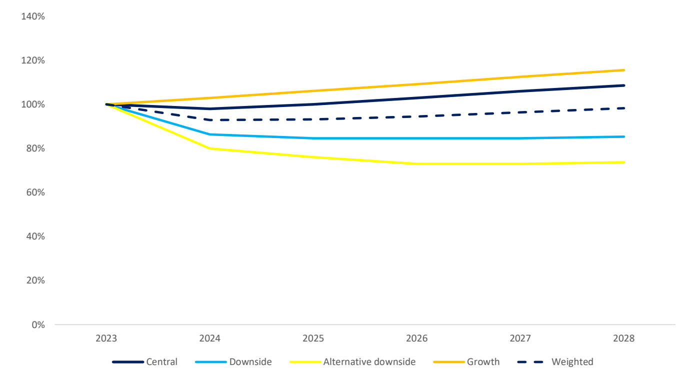
| | Scenario | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|
| Central | House price inflation | (2.0%) | 2.0% | 3.0% | 3.0% | 2.5% |
| | Unemployment rate (31 December) | 4.60% | 4.50% | 4.30% | 4.20% | 4.30% |
| | Gross domestic product growth | 0.80% | 1.50% | 1.50% | 1.50% | 1.50% |
| | Base rate (31 December) | 4.75% | 4.50% | 4.00% | 3.75% | 3.75% |
| Downside | House price inflation | (13.70%) | (2.00%) | 0.00% | 0.00% | 1.00% |
| | Unemployment rate (31 December) | 6.50% | 7.30% | 6.20% | 5.80% | 5.80% |
| | Gross domestic product growth | (0.7%) | (1.3%) | 1.00% | 1.00% | 1.00% |
| | Base rate (31 December) | 6.00% | 3.00% | 0.75% | 0.25% | 0.25% |
| Alternative Downside | House price inflation | (20.00%) | (5.00%) | (4.00%) | 0.00% | 1.00% |
| | Unemployment rate (31 December) | 7.80% | 8.40% | 7.90% | 7.80% | 7.80% |
| | Gross domestic product growth | (0.20%) | (4.20%) | 2.10% | 1.50% | 1.50% |
| | Base rate (31 December) | 6.50% | 4.50% | 1.00% | 0.10% | 0.10% |
| Growth | House price inflation | 3.00% | 3.00% | 3.00% | 3.00% | 2.70% |
| | Unemployment rate (31 December) | 4.30% | 4.00% | 3.80% | 3.80% | 3.80% |
| | Gross domestic product growth | 1.90% | 2.00% | 2.00% | 2.00% | 2.10% |
| | Base rate (31 December) | 4.00% | 3.50% | 3.25% | 3.00% | 3.00% |

- Post model adjustments relating to changes in IRB capital requirements have resulted in increased risk weights and have been in place since January 2022. Further refinement is ongoing across the industry in relation to these regulations and this is expected to be finalised in the next 12 months. The Society is expected to retain significant headroom over risk appetite following the finalisation of these regulatory changes.
- We are well prepared to meet the requirements of the Basel 3.1 standards, which are expected to come into force on 1 July 2025. As an IRB lender, the predominant impact on the Society will arise from the new capital floor, to be phased in from July 2025 until January 2030.

**Unemployment Rate (%)**




**House Prices (December 2023=100)**

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## Appendix 4 ESG Ratings

- Last year was the first year we have obtained an MSCI ESG rating (BBB). We are currently one point from an A rating which we anticipate will be achieved at our next assessment through increased public disclosure around our ESG policies and practices.

- Sustainalytics positioned LBS as low risk last year. We are currently awaiting our updated score and anticipating a similar result.

- S&P Global offer two types of assessment – one which assesses public documents only, and a full Corporate Sustainability Assessment which looks at internal documentation as well. This was our second public assessment, and our score has increased, with an improvement across most areas. We do not currently have any plans to partake in a full Corporate Sustainability Assessment.

| ESG Assessment | Score | Scale | Date |
|---|---|---|---|
| MSCI | 5.6<br>(BBB) | 0 to 10<br>(CCC – AAA) | Mar 2024 |
| Sustainalytics | 16.2<br>'low risk' | 0 to 100<br>negligible to severe | Feb 2023 |
| S&P | 26 | 0 to 100 | Mar 2024 |

## Scope 1 and 2 emissions

The Society has developed a climate strategy centred upon supporting the orderly transition to a greener, net zero economy by 2050 or sooner.

We have set near-term SBTi-aligned scope 1 and 2 targets in line with the Paris Climate Agreement goal to limit future temperature increases to 1.5°C.

In the first half of 2024, we have made good progress on reducing emissions directly under our control, and the Society continues to benchmark favourably vs. peers based on our residual emissions and ambition of targets.

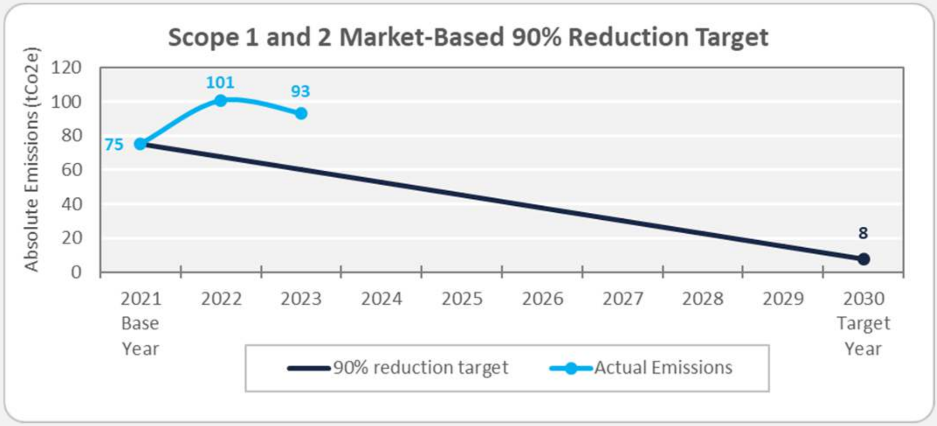
- Our location-based emissions continue to trend downwards below our 2030 target following steps taken to reduce our electricity consumption.
- Our market-based target is expected to remain under pressure in the short-term until benefits from our multi-year property refurbishment strategy are fully realised by the end of the decade.

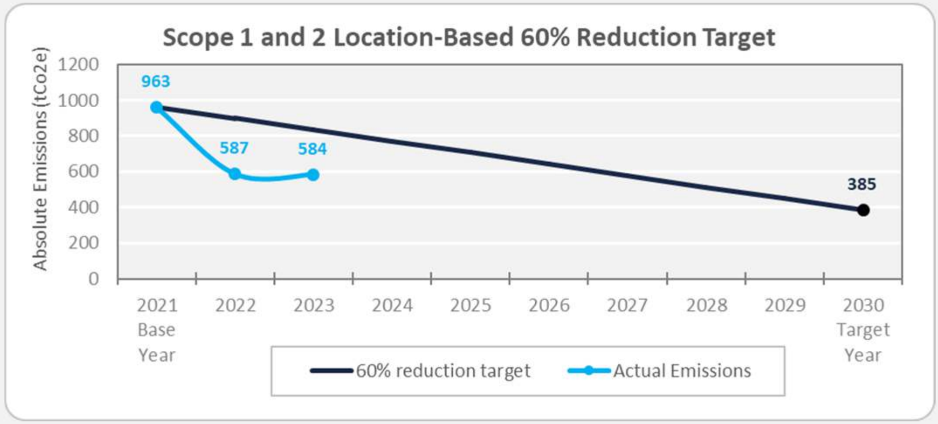
**90%**
**By 2030**

Reduce our absolute Scope 1 and 2 emissions by 90% by 2030, from a 2021 base year using a market-based methodology.

**60%**
**By 2030**

Reduce our absolute Scope 1 and 2 emissions by 60% by 2030, from a 2021 base year using a location-based methodology.

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## Scope 3 emissions

The Society has also agreed near-term SBTi-aligned targets for our scope 3 operational and financed emissions, covering our full value chain.

We continue to engage with our key stakeholders to influence reductions, but many of the required actions are outside of our direct control.

There continue to be a number of barriers to progress that need to be overcome, which will require a joined-up and collaborative approach across government, industry, and wider society.

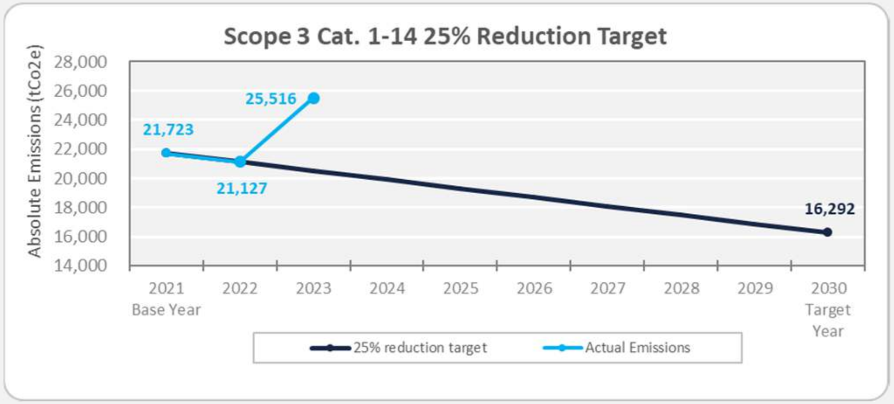
Until those challenges are overcome, we expect our scope 3 emissions to trend above target over the short to medium term.

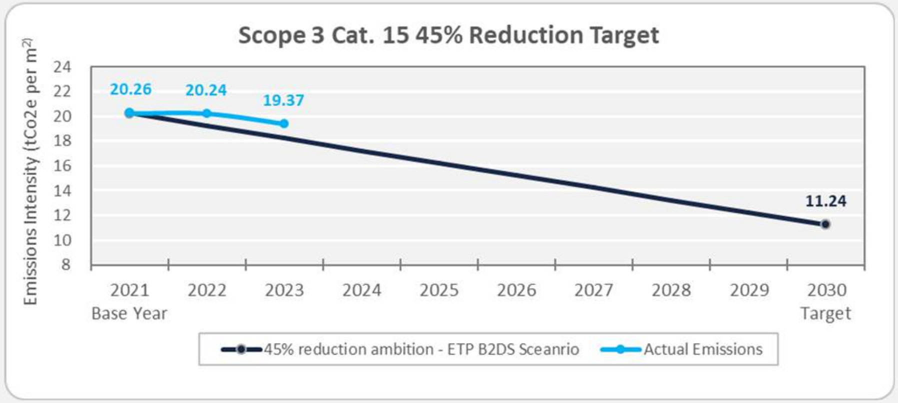
**25%**
**By 2030**

Reduce our absolute Scope 3 operational emissions (categories 1-14) by 25% by 2030, from a 2021 base year.

**45%**
**By 2030**

Ambition to reduce the intensity of our Scope 3 financed emissions (category 15) from our residential mortgage book 45% by 2030 from a 2021 base year.

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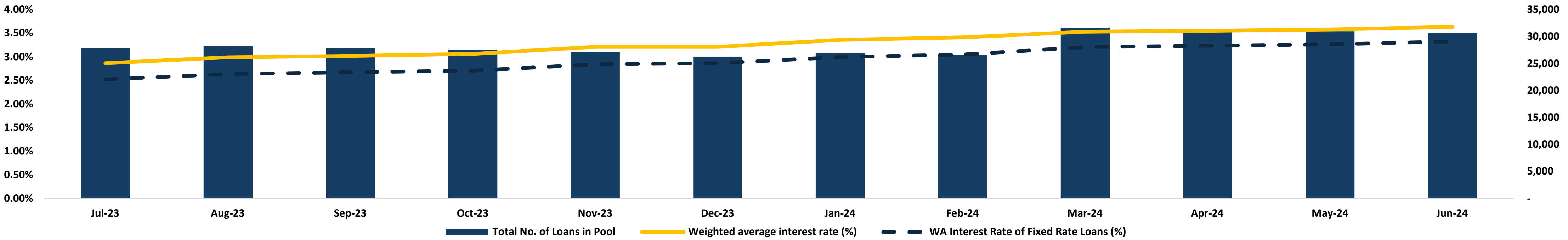
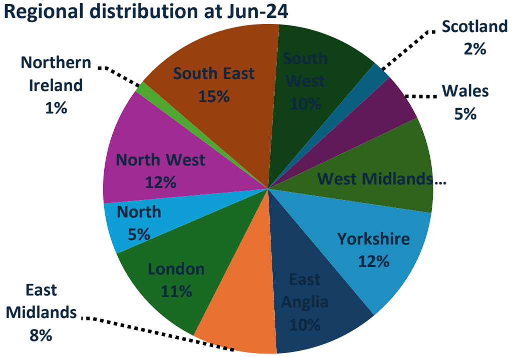
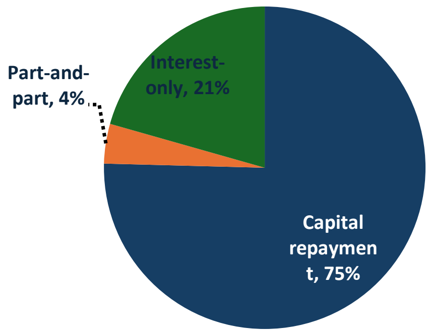
# Covered Bond Pool Performance



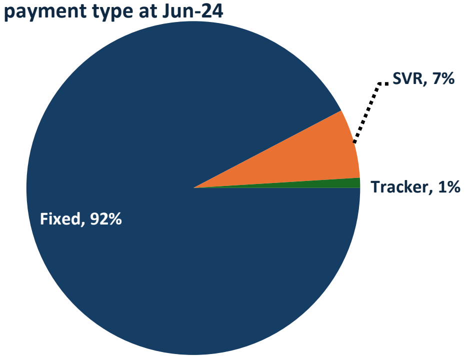

## Regional distribution at Jun-24



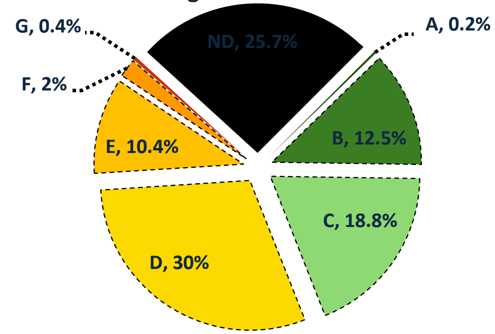

## Repayment Type at Jun-24



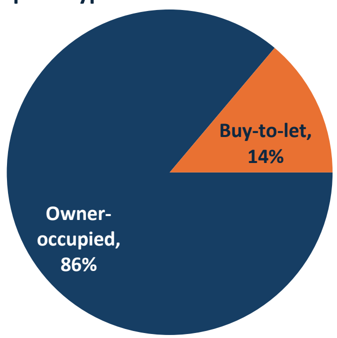

## Interest payment type at Jun-24



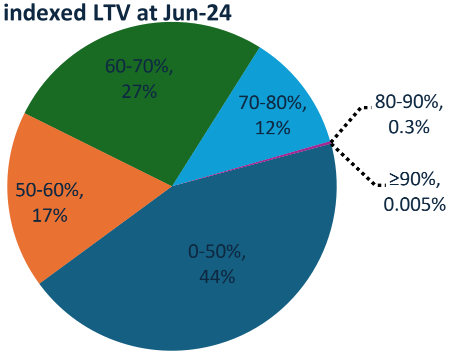

## Current EPC Rating at Jun-24



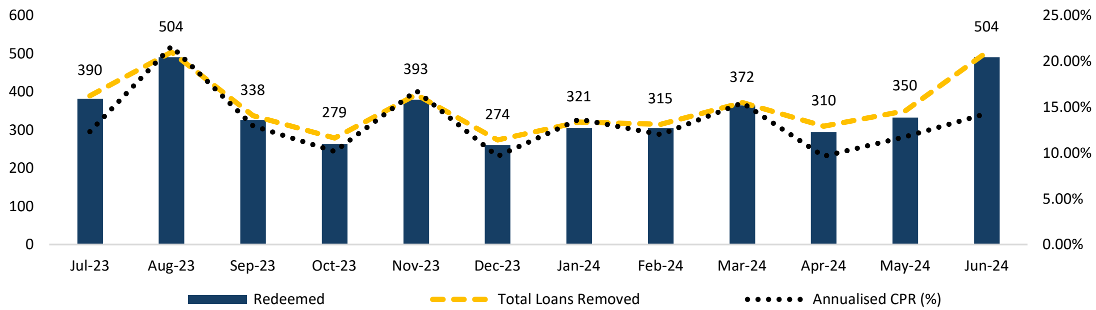

## Loan purpose type at Jun-24




## Current indexed LTV at Jun-24




## Covered Bonds Loan Repurchases (12m to Jun-24)



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