LEEK Building Society

BRITAIN'S BEST BUILDING SOCIETY 2023

ANNUAL REPORT & ACCOUNTS

2023

IN THIS REPORT

Leek Building Society is a trading name of Leek United Building Society, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority with firm reference number 100014. Our details can be found on the Financial Services Register at https://register.fca.org.uk/s/. Leek United Building Society's address for service is 50 St. Edward Street, Leek, Staffordshire ST13 5DL.

Established 1863

Registered Principal Office:
50 St. Edward Street, Leek, Staffordshire, ST13 5DL

Tel: 0800 093 0004

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Registered Number 323B

OUR PERFORMANCE HIGHLIGHTS

- Total Assets **£1.31bn**
- Regulatory Capital **£77.9m**
- Underlying Profit Before Tax **£6.4m**
- Profit Before Tax **£4.1m**
- Mortgage Balances **£984m**
- Shares & Deposits **£1.1bn**
- **98.8%** Customer Satisfaction
- **97%** Proud Employees
- **£125k** Donated to Charities & Community Causes

Explanations for the above terms can be found in the Strategic Report on page 16.

RACHEL COURT

CHAIR

CHAIR'S STATEMENT

I am extremely proud to introduce Leek Building Society's Annual Report and Accounts for 2023, a record year for our Society on many fronts and one in which our focus on our mutual values supported more than ever our robust financial performance, strong risk management standards and high member and colleague satisfaction. It is all the more pleasing that this was achieved while we continued our strategic investment programme which will underpin our success and sustainability for many years to come. This was also a year when we were announced as Britain's Best Building Society in the 2023 British Bank Awards, an accolade which reflected so well on everyone in our organisation.

> **"Our focus on our mutual values supported more than ever our robust financial performance, strong risk management standards and high member and colleague satisfaction."**

The Society ended the year with a balance sheet in excess of £1.3 billion, enhanced underlying profit performance, strong levels of capital reserves and healthy liquidity. Significant detail regarding our financial performance, strategy and risk management can be found throughout this annual report, in particular in the Chief Executive's Review, Strategic Report and Risk Management Report.

Economic and Market Conditions

Economic and market conditions were challenging throughout the year. High inflation continued with the Bank of England responding by effecting a number of increases to base rate. Cost of living pressures persisted and in terms of our members' ability to repay their borrowings, higher interest rates have not been good news for those on variable rates or for those reaching the end of their fixed rate mortgage term. I am pleased to say that since interest rates started to rise in December 2021, we have been able to soften the blow for many borrowers by only passing on approximately 60 per cent of the Bank of England base rate increases, whilst we continued to offer competitively priced products for all customers.

It is encouraging to report that we have not yet seen an increase in mortgage arrears, a result that has undoubtedly been helped by our prudent approach to underwriting and customer affordability. However, there is naturally a risk that higher arrears will materialise in 2024 as challenging conditions persist and I would like to emphasise that we have a range of resources to support any members who are in financial difficulty or indeed who are concerned that they may experience difficulties in the future. Please get in touch with us if you feel this may apply to you.

The mortgage market experienced a significant drop in new lending after a period of growth following the pandemic. This was due in significant part to the rising interest rate environment and the associated affordability challenges faced by borrowers as well as a fall in house prices, although the ongoing housing supply shortage saw prices remain more resilient than was anticipated. Against this backdrop, I am very pleased to report that the Society saw a record level of net mortgage lending, demonstrating the strength of our product propositions.

The savings market experienced a range of dynamics during 2023. Ongoing cost of living pressures impacted household savings as surplus holdings from the pandemic were utilised to manage higher living costs. Those who could afford to save tended to seek out competitive fixed rate products where the yields on offer appeared attractive relative to other investment types. In the same way that we sought to support our mortgage members as interest rates rose, the Society responded in a fair manner for savers by offering a competitive suite of variable and fixed rate savings. This approach resulted in solid deposit inflows, leading to balances of over £1 billion at year end and a healthy surplus liquidity position.

> **"In the same way that we sought to support our mortgage members as interest rates rose, the Society responded in a fair manner for savers by offering a competitive suite of variable and fixed rate savings. This approach resulted in solid deposit inflows, leading to balances of over £1 billion at year end and a healthy surplus liquidity position."**

I am delighted to report that Leek Online, our online savings platform which was launched at the end of 2022, is growing well and is providing existing and new members with the option to open and manage their accounts online. This service is the result of significant investment in new technology by the Society and in 2023, we continued to invest in a number of important areas. We completed our branch modernisation programme whereby all our branches have now been upgraded to offer improved facilities, including more meeting points and 'engagement zones' for discussions about our products and services. Furthermore, we have completed the development and testing work to implement our new mortgage platform which will be rolled out in the first half of 2024, significantly improving the mortgage journey experience for our new borrowers and broker partners.

Our Board

A number of changes to our Board took place during the year. Following Keith Abercromby's departure in April, Felicity Bambery took over as Chair of Audit Committee. A former senior partner in a tier one audit firm, Felicity has been a Non-Executive Director with the Society for just over 18 months and also serves on our Risk and Remuneration Committees. John Leveson, Non-Executive Director and Chair of Remuneration Committee, will step down from the Board in April 2024 when his tenure comes to an end. With his substantial building society sector experience, John has played an essential role in shaping and supporting the Society's strategic focus and he will be very greatly missed. We wish John all the very best for the future.

As part of our succession planning in anticipation of John Leveson's departure, the Board initiated a comprehensive recruitment process during 2023 to identify a new Non-Executive Director. John Gibson, who brings extensive building society sector experience, was co-opted onto the Board in January 2024 and will stand for election at our forthcoming Annual General Meeting.

Meanwhile, Andrew Healy, our Chief Executive for the past 5 years, has recently indicated to the Board that he wishes to step down from his role during 2024 in order to focus on non-executive director work. Soon after he joined the Society back in 2018, Andrew agreed with the Board a multi-part investment and change programme to modernise the Society which involved flexible new IT infrastructure, digital savings and mortgage platforms, remodelled branches and new products and services. A warm, engaging leader of tremendous integrity, Andrew has set incredibly high standards, and has delivered strongly against those standards, growing business performance to record levels, elevating risk management focus and further uplifting our exceptionally positive culture. Andrew's leadership throughout the pandemic was outstanding and his compassion towards employees, members and the local community throughout his tenure has been second to none. We were all extraordinarily proud when last year Andrew was awarded an honorary MBE by King Charles for his services to the local community – an honour which I hope you will agree was richly deserved.

A rigorous selection process for the appointment of Andrew's successor is currently underway and he will continue to lead the Society until his replacement is confirmed. Meanwhile, I would like to extend my own and the Board's immense thanks to Andrew for everything he has achieved during his tenure and to wish him every success for the future. His character, skills and experience will undoubtedly add great value to other boards in the same manner in which they have benefitted our business.

Thank You

I would also like to record my sincere gratitude to all my fellow Board members, the broader management team and to all my colleagues across the Society for your continued efforts to ensure Leek Building Society remains strong and successful. Thank you for living our values and for delivering such strong performance in 2023.

But most of all, I would like to thank you, our members, for your wonderful support and loyalty which I greatly appreciate. I firmly believe that together we can look to the future with tremendous optimism. It is my hope that 2024 will bring you good health and happiness and I offer you my very best wishes for the year ahead.

Rachel Court
Chair
29 February 2024

"Most of all, I would like to thank you, our members, for your wonderful support and loyalty which I greatly appreciate. I firmly believe that together we can look to the future with tremendous optimism.

ANDREW HEALY

CHIEF EXECUTIVE

CHIEF EXECUTIVE'S REVIEW

As reported by our Chair, 2023 was a particularly positive year for the Society. Despite the challenging economic and market conditions, we delivered strong financial results as well as robust risk management standards and high customer service levels whilst continuing to invest for the long-term benefit of our members.

The cost of living crisis that began in 2022 persisted with high inflation, further increases in interest rates and relatively weak economic conditions. It is all the more satisfying, therefore, that we achieved such excellent performance across all parts of our business.

Strong financial performance

As set out in more detail in the Strategic Report which follows my review, the Society recorded a strong financial performance in 2023. In terms of underlying profitability, the year-on-year improvement was primarily due to higher net interest margin as a result of increases in the Bank of England base rate and continued mortgage growth. We do not seek to maximise profits but it is in the interest of the Society's long-term competitiveness and sustainability that sufficient profits are generated to maintain our capital strength/financial resilience and to ensure there is ongoing investment in our business.

> "Despite the challenging economic and market conditions, we delivered strong financial results as well as robust risk management standards and high customer service levels whilst continuing to invest for the long-term benefit of our members."

Mortgages

Mortgage balances grew by 11% to £984m (2022: £888m) due to a record level of net lending of £80m (2022: £42m). Our excellent product and service proposition supported this performance which significantly bettered the market, with growth driven by a combination of good customer demand for new loans and high retention levels among existing customers who tended to stay with us after their previous mortgage deal came to an end.

> "Mortgage balances grew by 11% to £984m (2022: £888m) due to a record level of net lending of £80m (2022: £42m). Our excellent product and service proposition supported this performance which significantly bettered the market."

Notwithstanding the challenging economic conditions, I am pleased to report that our mortgage book continues to be of high quality with below industry average arrears levels. There is a heightened risk of increased arrears going forward given the pressure on borrowers from the cost of living and relatively high interest rate environment. However, we believe our prudent lending policy which includes robust affordability tests at the outset of our lending decisions, will continue to provide a significant shield against these impacts becoming material.

A key component of our lending strategy is that we do not use automatic credit scoring to make our mortgage decisions. In line with our commitment to personal, flexible service that meets the needs of members, all mortgages are individually reviewed and underwritten by our experienced credit team. As an additional protection, all lending over 80% loan-to-value (LTV) at inception is covered by mortgage indemnity insurance against losses incurred if a property were to be taken into possession in the first seven years.

As the year drew to a close, we were pleased to launch our first Shared Ownership mortgage as part of our commitment to support home ownership. This mortgage is aimed at helping more first-time buyers to get on to the housing ladder by making owning their home more affordable.

Savings

Savings balances grew by 9% to £1,097m (2022: £1,011m). As a building society, member savings represent our primary way to fund our mortgage lending and it is essential that our savings propositions remain appropriate for both current and prospective members. To achieve this growth, we provided a competitive range of savings accounts and we upheld our commitment to reward member loyalty by offering exclusive fixed rate savings accounts to existing members with higher interest rates than those on offer to new members.

We actively participated in UK Savings Week which is a Building Societies Association campaign to raise awareness of the importance and benefits of saving. This campaign closely aligns to our ethos of encouraging people to start saving and to foster better savings habits in order that they may achieve a better financial position over the long term.

As reported last year, we launched our first online savings service, Leek Online, at the end of 2022 which enables existing and new members to conveniently open and manage their accounts online. Demand for this service steadily increased throughout 2023 and it was pleasing to see this extend across a wide geographic and demographic footprint, supporting growth levels and helping to diversify our savings base.

But we also recognise that online services are not for everyone and we remain deeply committed to our local high streets as evidenced by the completion during the year of our branch refurbishment programme which provides members with high quality face to face services and access to cash in a modern, friendly and professional environment.

Further details on our financial performance can be found in the Strategic Report on page 16.

High interest rate environment & cost of living – supporting members

As a mutual, what sets us apart is that we do not have shareholders, so we can – and do – look at everything from the perspective of how we can best support our members. The Bank of England base rate started the year at 3.50% and rose to 5.25% by year end. As reported in our Chair's Statement, the Society took a very fair and balanced approach to the rising interest rate environment and sought to pass on as little as possible of these base rate increases to mortgage borrowers whilst providing highly competitive fixed and variable rate products to savings members.

While the recent reductions in inflation suggest that base rate may have peaked, it is difficult to project the trajectory of interest rate movements going forward. However, please be assured that we will continue to stick to our well-proven principles of supporting both our mortgage and savings members in every way possible whilst also maintaining the financial resilience that is necessary to protect the long-term viability of the Society.

> "Online services are not for everyone and we remain deeply committed to our local high streets as evidenced by the completion during the year of our branch refurbishment programme which provides members with high quality face to face services and access to cash in a modern, friendly and professional environment."

"Please be assured that we will continue to stick to our well-proven principles of supporting both our mortgage and savings members in every way possible."

Leek Building Society was one of the first building societies to sign up to HM Treasury's Mortgage Charter, introduced in June 2023, which helps borrowers who may be struggling or who may be worried about making their repayments when their mortgage deal comes to an end. On the Society's website, there are details of the Charter as well as a range of helpful resources which include who to speak to if you are concerned about your finances, tips on ways you may be able to reduce your bills and details of external agencies which offer free help and support.

During the year, we partnered with Potteries Moneywise to host a series of money clinics in our branches to offer assistance and expertise on a range of subjects including effective money management, budgeting, benefits eligibility and managing debt during these difficult times. We also partnered with national charity, Young Enterprise to deliver financial education in each of the 11 towns where we have a branch.

Investment Programme – investing in the Society's future

2023 saw the Society's investment programme deliver a number of benefits for members. As reported above, we completed our extensive branch refurbishment programme during the year. While many financial institutions continue to close the doors of their branches, we have proudly gone against the grain by investing in every one of our 12 branches. We also completed the refurbishment of our Head Office environment, providing a vibrant workplace for our colleagues that powerfully facilitates hybrid working, collaboration and accessibility.

With the aforementioned introduction of Leek Online, members can now manage their money safely and securely with increased convenience. This includes opening new savings accounts, viewing important information such as transactions and interest rates, and sending faster payments to a nominated bank account. Mortgage holders can also view information relating to their mortgage including outstanding balance, interest rate and transaction details. We have furthermore completed the development and testing work to implement our new digital mortgage platform which will be rolled out in the first half of 2024, bringing with it an enhanced mortgage application process which will benefit both our borrowers and broker partners alike. We will continue to invest and build upon our technology capabilities over the years ahead.

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Our Service

We collect feedback on our service standards through an independent organisation which is widely recognised across the mutual sector, Smart Money People. I am delighted to advise that throughout the year, all our key service measures were rated by members as strong and that our overall service score for 2023 was 98.8%, which compares favourably with peers. The Net Promoter Score, which is a widely used measure of whether people would recommend us to their family, friends and colleagues, was also very positive at 92.

We were delighted to win two national awards at the 2023 British Bank Awards – Best Building Society and Best Building Society Savings Provider. These awards are particularly special as they are based on the reviews provided by those who matter most, our members and customers.

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During the year, the Financial Conduct Authority (FCA) raised the bar for the standard of care expected from financial institutions towards consumers when it introduced the Consumer Duty. Despite being well-positioned to meet the Duty's expectations, we conducted a thorough review across all aspects of our products and services to confirm they provide members with fair value, making sure our communications are clear and ensuring comprehensive customer support is available when needed, including support for vulnerable customers. We also appointed Non-Executive Director, Dave Cheeseman as our Board Consumer Duty Champion.

Member Engagement

We recognise the importance of communicating effectively with our members and acting on your feedback. During the year, we used a range of methods to promote active engagement with members, including regular website and social media updates, member newsletters, community engagement activities, our annual member survey and real-time member feedback via the independent Smart Money People platform. Such feedback, whilst generally extremely positive, was carefully listened to and acted upon where appropriate.

We have additionally stepped up our efforts to collect email addresses in order to facilitate a shift towards paperless, digital communication for those who prefer this method of communication.

Our People & Culture

I am particularly proud of our people. Our colleagues excelled during the year in providing outstanding customer service whilst delivering the Society's strong performance.

We fully recognise the pivotal importance of our people platform and an organisational structure is in place which supports the delivery of our strategic plan, augmented by appropriate succession planning and staff development. A real strength of our Society is the extent to which business decisions are examined not only through the lens of our members but also from the perspective of our people and our values. This has helped to engender an exceptionally positive culture. With 97% of staff proud to work for us, we firmly believe that this positive culture, allied to our excellent overall employee proposition, makes us one of the most attractive organisations to work for in our sector.

"I am particularly proud of our people. Our colleagues excelled during the year in providing outstanding customer service whilst delivering the Society's strong performance."

Substantial advances were made to our employee proposition during the year, evidencing our deep ongoing commitment to staff welfare and to supporting our people. Funded health screenings continued to be availed of and our workplace savings scheme was well utilised to improve the financial resilience of our staff. We also made improvements to remuneration which were appropriately cognisant of the challenges brought about by the high ongoing cost of living.

Our focus on the health and wellbeing of our staff was recognised at the national CIPD People Management Awards where we received the award for best approach to Health and Wellbeing. We were also awarded Employer of the Year by the Staffordshire Chambers of Commerce, demonstrating our pedigree as an employer of choice.

Equality, diversity and inclusion (EDI) remains an important area of focus for the Society. As stated in the Board Nominations Committee report, we have a comprehensive strategy to make our Society more diverse, inclusive and reflective of the communities we serve. The regulatory guidance expected in early 2024 will be fully embraced and actions will be supported by our staff EDI Forum which is made up of a diverse range of colleagues from across our business.

Community

Core to the Society's purpose is to be socially responsible and to make a positive difference to the local community. During 2023, we supported a broad range of local community groups, charities and organisations. Having set a target last year to provide £500,000 by 2027 to such entities, I am proud to report that we donated £125,000 over the course of the year. This included funds generated by members through our affinity savings account range.

> **"During 2023, we supported a broad range of local community groups, charities and organisations. Having set a target last year to provide £500,000 by 2027 to such entities, I am proud to report that we donated £125,000 over the course of the year."**

Our Charitable Foundation, launched in 2022, has gone from strength to strength, helping us to increase the scale and scope of our charitable giving. It's primary function is to provide grants of between £500 and £5,000 to local charities and community groups and during the year, £21,000 was donated to a number of worthy causes. Our staff also provided 180 days of local community volunteering, almost double the level of the prior year.

We developed our suite of local partnerships even further in 2023 with the introduction of financial education support for both our members and local young people. We also provided funding to a broad range of clubs and organisations that are fundamental pillars of our communities and which play an important role in the lives of local people. Furthermore, we entered into a landmark partnership with AEDdonate which will see 100 life-saving defibrillators installed in our heartland areas over the next 4 years.

LEEK BUILDING SOCIETY CHARITABLE FOUNDATION

The Environment

An important measure of the extent to which we are socially responsible is our commitment to the environment. During the year, we launched a new Green Further Advance Mortgage aimed at helping current borrowers to enhance their homes' energy efficiency. We also continued to work towards achieving net-zero emissions by using a specialist waste management company to recycle waste from our Head Office and branch network as well as an electricity supplier which uses 100% renewable sources. In addition, we upgraded our lighting systems to energy-efficient LEDs which reduced by approximately 90% the energy required to light our buildings.

Further details on our Environmental, Social and Governance (ESG) strategy and actions can be found in the ESG Report on page 22.

Thank You

As I look back on 2023, I am immensely proud of our achievements. I would like to take this opportunity to most sincerely thank my colleagues at all levels for your excellent business performance, for consistently living our organisation's values and for your high standards of service, corporate governance and risk management. As this report clearly demonstrates, you have simultaneously done all this while making a tremendously positive difference to the lives of our members, colleagues and the local community.

To our loyal members, thank you for your ongoing support and words of encouragement to myself and my colleagues. We will continue to seek to anticipate and meet your needs. I firmly share the view of our Chair and wider Board that a bright and successful future lies ahead for Leek Building Society.

Andrew Healy MBE
Chief Executive
29 February 2024

> **"To our loyal members, thank you for your ongoing support and words of encouragement to myself and my colleagues. We will continue to seek to anticipate and meet your needs. I firmly share the view of our Chair and wider Board that a bright and successful future lies ahead for Leek Building Society."**

SUPPORTING OUR COMMUNITY

STRATEGIC REPORT

The purpose of this Strategic Report is to provide a fair, balanced and understandable review of the Society's progress against its strategy together with an assessment of the environment in which it operates and the principal risks it faces. It should be read in conjunction with the Chair's Statement, Chief Executive's Review, Directors' Report and the Risk Management Report.

The Society's strategy is summarised pictorially below.

VISION	TO BE THE BEST BUILDING SOCIETY IN OUR HEARTLAND.
PURPOSE	*Our Society is here to provide high quality, competitive mortgage and savings products, outstanding customer service and fair outcomes.* *In doing so, we will have an unflinching focus on being socially responsible and on making a positive difference to the lives of members, employees and the local community.*
VALUES	MEMBERS FIRST · INTEGRITY · COLLABORATION · RESPONSIBILITY

STRATEGIC PILLARS	BRANCHES	DIGITAL	PROCESSES
CORE FOUNDATIONS	Resilient Technology	Robust Risk Management	People Excellence
STRATEGIC OBJECTIVES	FINANCIAL GROWTH ACHIEVED	SOCIALLY RESPONSIBLE	EMPLOYER OF CHOICE

Our Values

Our values define how we behave, both as an organisation and individually. They provide the framework within which our actions can be judged and define the experience that everyone who comes into contact with the Society should perceive.

We have four values:

Key Strategic Objectives

The Society's primary objective is the provision of mortgage finance for the purchase and improvement of residential property while funding such lending through a range of personal savings accounts. We also provide access to general insurance, life insurance and long-term investments through a number of business partners.

As a mutual organisation, the Society has no shareholders and rather than focus on maximising profits, seeks to balance the requirement to offer competitive interest rates for savers and borrowers with ensuring sufficient profits are generated to maintain our strong capital position/financial resilience and to invest in our capability and infrastructure.

We continue to invest to ensure our propositions align with both existing and potential customer needs. Our ongoing investment programme aims to deliver improvements in the organisation's systems, processes and branch network, including a digital agenda which involves providing online solutions for our members and intermediary partners. In late 2022, we introduced our online digital savings service, Leek Online, which is growing satisfactorily and is providing both existing and new members with the option to open new accounts with us, as well as to manage their existing accounts online. This is the result of significant investment in new technology by the Society and in 2023, we also completed the development and testing work to implement our new mortgage platform which will be rolled out in the first half of 2024, enhancing the mortgage journey experience for our new borrowers and broker partners. In addition, we completed our branch modernisation programme whereby all our branches have now been upgraded to offer improved facilities, including more meeting points for discussions about our products and services.

Key Performance Indicators

The Society delivered strong financial performance in 2023 despite the challenging economic and market conditions. The Board uses key performance indicators (KPIs) to monitor the performance and development of the Society and a number of these are included below together with explanatory comment to help provide a good understanding of our performance and status.

		2023	2022
Operating Performance	Underlying Profit before Tax	£6.4m	£5.0m
	Profit before Tax	£4.1m	£9.6m
	Net Interest Margin	1.66%	1.47%
	Management Expenses Ratio	1.14%	1.07%
	Mortgage Arrears	0.16%	0.11%
Balance Sheet	Total Assets	£1.31bn	£1.24bn
	Mortgage Balances	£984m	£888m
	Shares and Deposits	£1.10bn	£1.01bn
Financial Strength	Regulatory Capital	£77.9m	£74.9m*
	Total Capital Ratio	17.8%	18.2%*
	Liquid Assets	£298m	£307m*

*Restated to account for prior period adjustments set out in notes 9 and 24 to the Annual Report and Accounts.

STRATEGIC REPORT (CONTINUED)

Measure	Explanation
Total Assets	The value of all assets in the Group balance sheet.
Mortgage Balances	The total amount owed to the Society for mortgages by customers.
Shares and Deposits	The total amount owed by the Society to shareholding members and depositors in respect of their account balances.
Underlying Profit before Tax*	The surplus before tax achieved from trading activity during the financial year excluding fair value movements resulting from hedging risk management activity.
Profit before Tax	The surplus before tax achieved from trading activity during the financial year. This includes fair value movements in derivatives that are designed to hedge the financial risk associated with fixed rate mortgage lending.
Management Expenses Ratio	The aggregate of administrative expenses and depreciation as a percentage of the average total assets in the year.
Net Interest Margin	The net interest receivable by the Society as a percentage of the average total assets in the year.
Mortgage Arrears	The number of mortgage accounts which are in arrears by the equivalent of three or more monthly repayments.
Regulatory Capital	The Society's reserves and collective provisions net of any required deductions for regulatory purposes e.g. intangible assets. Retained profits are the highest quality of capital.
Total Capital Ratio	Regulatory capital expressed as a percentage of the Society's risk weighted assets (RWAs).
Liquid Assets	The total cash in hand, loans and advances to credit institutions and debt securities.

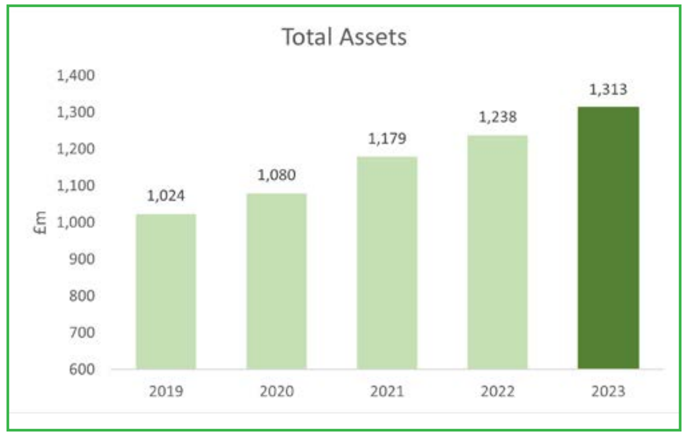
*As is common industry practice, the Society uses derivative instruments that are designed to hedge the financial risk associated with fixed rate mortgage and savings products. Gains and losses arising from fair value movements reflect changes in market rates of interest which, in the view of the Society's directors, are unrelated to the performance of the Group and Society.

The Society prepares its results under Financial Reporting Standard (FRS) 102, "The Financial Reporting Standard applicable in the UK and Ireland" and elects to apply the measurement and recognition provisions of IAS39, "Financial Instruments: Recognition and Measurement".

Business Review

Total assets

The Society's assets continued their path of sustainable, measured growth, increasing by 6% from £1,238m at the end of 2022 to £1,313m at the end of 2023.



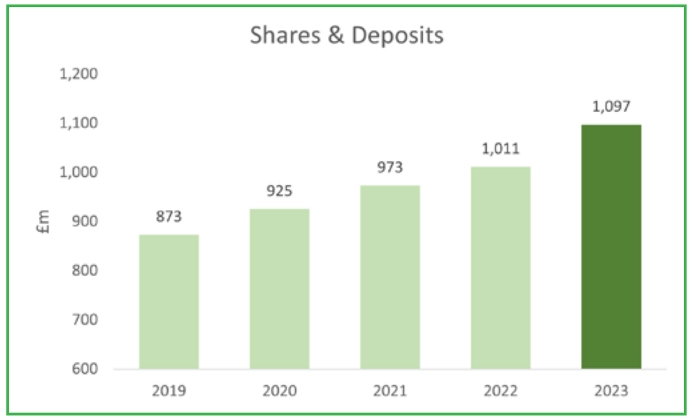
Mortgage balances

Total mortgage balances at the end of 2023 stood at £984m (2022: £888m) net of provisions, interest rate and fair value adjustments. Strong net lending of £80m was achieved (2022: £42m) which was underpinned by new lending of £192m (2022: £186m) and a relatively low level of mortgage redemptions of £76m (2022: £105m).

The Society's lending proposition remains focussed on providing a range of competitive mortgages to owner occupiers, First Time Buyers and Buy to Let landlords.

Shares and deposits

Primarily through the branch channel and the embedding of Leek Online, the Society continues to grow its savings base, with total balances at the end of 2023 of £1,097m (2022: £1,011m). We are, and will continue to be, primarily funded by individual retail savings (shares) via a range of competitive savings and ISA products. Existing customers are rewarded through preferential loyalty products. As referred to in both the Chair's Statement and Chief Executive's Review, the Society has taken a fair and balanced approach to the rising interest rate environment.



Underlying profit before tax

The Society recorded an underlying profit before tax of £6.4m, an increase of £1.4m on 2022 (£5.0m). The improvement was primarily due to higher net interest margin as a result of increases in the Bank of England base rate and continued mortgage growth, offsetting increased costs from inflation and continued investment in the business.

We do not seek to maximise profits but it is in the interest of the Society's long-term competitiveness and sustainability that sufficient profits are generated to maintain our strong capital position/financial resilience and to ensure there is ongoing investment in our capability and infrastructure. As the higher interest rate environment has progressively developed, we have seen profits return to levels broadly consistent with the longer term average seen prior to the ultra-low interest rate environment which preceded the pandemic. As profit generation remains the most effective way for a building society to generate capital, sustainable profitability is required for the Society to have the capacity to sustainably grow and invest, which is even more necessary in today's competitive and ever-evolving marketplace.

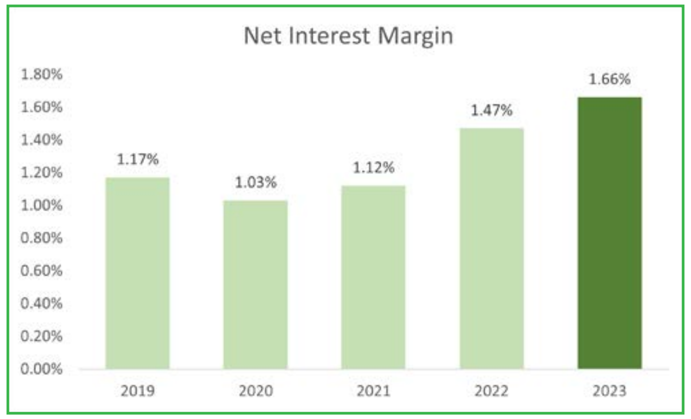
Profit before tax

Profit before tax was £4.1m (2022: £9.6m) after accounting for fair value movements (loss of £2.3m; 2022 gain of £4.6m) in derivatives that are designed to hedge the financial risk associated with fixed rate mortgage lending and which could be a gain or loss in any given accounting period. While the use of such derivatives is common industry practice and a prudent method of risk management that has been used by the Society for many years, the following points are particularly noteworthy with respect to this year's results:

- The loss from fair value movements arises from how we reflect in any given year's financial accounts the approach to hedging risk management that we adopt relating to swaps that have not been matched against mortgages due to timing differences between the swaps being transacted and the associated mortgages completing. As stated, this is an industry practice which we have historically used and will continue to use. As with the gain seen in 2022, the loss in 2023, which follows the accounting standards we comply with, will reverse over the next few years as the relevant mortgages mature.
- Underlying profit excludes fair value movements in derivatives and in the view of the Society's directors, it therefore represents a more accurate reflection of trading performance as well as a better measure to compare performance across accounting periods.

Net interest margin

The Society's net interest margin increased during the year to 1.66% (2022: 1.47%) due to continued increases in the Bank of England base rate which improved the yield generated on our asset and derivative portfolios. Our balanced approach to base rate movements is well documented in this annual report and without this, the increase in net interest margin would have been higher. A robust governance process is in place which involves the Board overseeing our response to movements in base rate.



Management expenses ratio (%)

The management expenses ratio is a very simple measure of efficiency. This increased in 2023 to 1.14% (2022: 1.07%), with total costs increasing by £1.7m (13%) reflecting our strategic investment programme's expenditure on technology systems and infrastructure as well as our branch and head office refurbishments. The high inflationary environment also impacted employee remuneration and third party costs. As part of our strategy to be an employer of choice, we provided colleagues with salary increases and a cost of living payment to support their financial wellbeing.

The Society continues to be committed to achieving cost efficiency to sustain the required level of profitability to protect members' interests, though this must be carefully balanced with investing for the future to ensure we have the capacity and capability to compete and grow – which of course is also in the interest of our members.

Mortgage arrears

The Society is committed to responsible lending. Our mortgage book remains of high quality, as evidenced by the low level of arrears despite the ongoing challenging economic conditions. The number of mortgages in arrears by the equivalent of three or more monthly repayments totalled 14 accounts at 31 December 2023, representing 0.16% of mortgage accounts (2022: 8 accounts, 0.11%). There was just one case in arrears of 12 months or more at 31 December 2023 (2022: 2 cases).

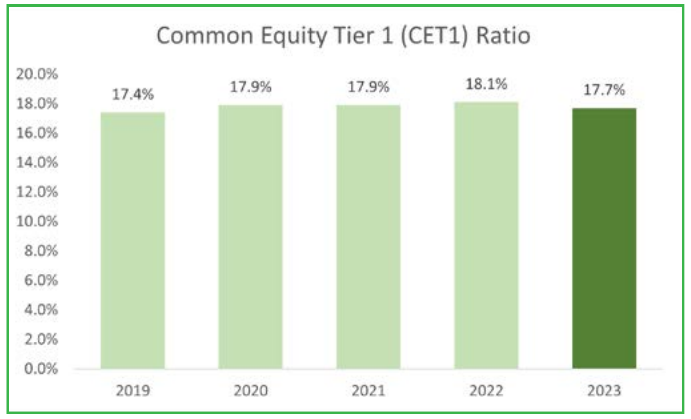
In certain circumstances, we offer forbearance measures to support customers who are experiencing financial difficulty to help them to get back on their feet. We are extremely sensitive to the challenges the current economic environment poses for our members and on the Society's website, there are a range of helpful resources including who to speak to if they are struggling with their mortgage repayments, tips on ways to reduce bills and details of external agencies which offer free help and support. For residential mortgage holders specifically, there are details of the Mortgage Charter which helps borrowers who may be under financial pressure or who may be worried about making their repayments when their mortgage deal comes to an end. This Charter is a voluntary agreement drawn up by HM Treasury which we are proud to have signed up to.

An impairment allowance is held where appropriate and cases that do not have an individual impairment allowance are included within the collective impairment allowance. In 2023, no properties were taken into possession (2022: one property). Specific consideration has been given to the risk of losses due to the deterioration of economic conditions as household finances are being stretched by increases in inflation and energy prices. At 31 December 2023, a post model adjustment of £0.1m was added to the Society's impairment allowance to reflect the risk of losses within our mortgage portfolio (2022: £0.4m).

Capital strength

The Society has continued to focus on ensuring its balance sheet is strong, secure and fit for purpose. The level of profit generated in 2023 has ensured that our capital position remains robust, with reserves at 31 December 2023 of £79.6m (2022 restated: £76.3m). This outturn predominantly reflects the impact of our profit for the year.

The Common Equity Tier 1 ratio at year end stood at 17.7% (2022 restated: 18.1%) and the leverage ratio stood at 6.8% (2022 restated: 6.8%). A one-off increase in the Society's defined pension scheme liability arose due to a prior period adjustment required for 2022. This has not impacted current year profitability and whilst it has reduced the Society's capital surplus, it has not had a material impact. More detail can be found in note 24 to the financial statements on page 94. Our strong capital position provides confidence that the Society can continue to grow and invest in the manner projected within our strategic plan.



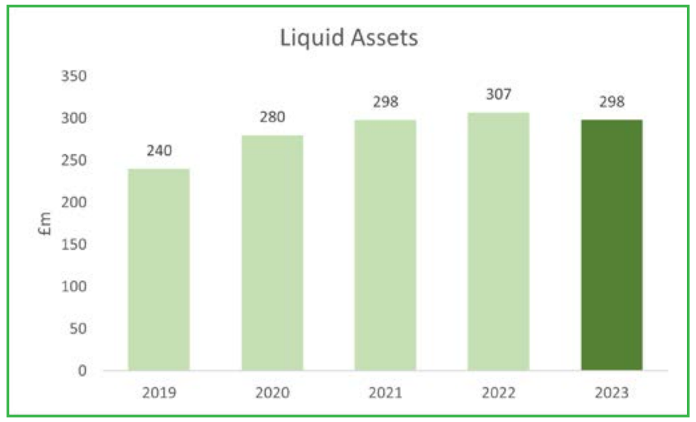
The Society's policy is to maintain a strong capital base to sustain member, creditor and market confidence and to support the future development of the business. The Board manages the capital and risk exposure to ensure capital is maintained in line with regulatory requirements. Capital levels are subject to regular stress tests to ensure sufficient levels are held to protect against possible future events. The Society complied with its Total Capital Requirement (TCR) plus capital buffers, as notified by the Prudential Regulation Authority, throughout the financial year and remained significantly above this required level at all times.

The Society is required to set out its capital position, risk exposures and risk assessment processes in the Pillar 3 disclosure document which can be found on our website.

Liquid assets

The Society continues to maintain strong and readily available levels of liquidity. Throughout the year, such levels were well in excess of regulatory requirements. As at the year end, total liquid assets stood at £298m (2022 restated: £307m). Restricted cash held with the Bank of England has been reclassified to other assets and 2022 financial statements have been restated as a result. More detail can be found in note 9 of the financial statements.

A key measure of liquidity introduced under the Capital Requirements Directive is the Liquidity Coverage Ratio (LCR). At 31 December 2023, the Society reported an LCR of 323% (2022: 283%), significantly in excess of minimum regulatory requirements.



Future outlook and uncertainties

The Society's Risk Management Report on pages 52 to 56 sets out in significant detail the principal risks and uncertainties faced by the Society with respect to the achievement of our strategic objectives, together with our comprehensive mitigating activities.

The economic prospects for the year ahead remain difficult to predict, not least due to the ongoing conflicts in Ukraine and the Middle East and the upcoming general election. While inflation is projected to continue to reduce, there is expected to be considerable ongoing pressure on living costs and there remains the risk that this, combined with high interest rates and unemployment, could lead to mortgage repayment difficulties as well as lower housing market activity and prices.

The financial services market continues to see rapidly accelerating digital transformation and intense competition to meet the ever-evolving needs of customers. Notwithstanding our ongoing investment programme, these factors increase the risk of the Society failing to retain existing members and to attract new members. Associated risks also include increasing pressure on margins, higher future costs to deliver the level of investment necessary to keep pace with technological developments and increased risk management costs.

A competitive market is positive for members and it remains our intention to offer fairly-priced, transparent savings and mortgage products, to provide a safe home for members' savings, to promote a savings culture, to lend responsibly and to support borrowers to achieve their housing aspirations. We will continue to invest in enhancing the resilience of our technology, ensuring that our systems remain well placed to deal with the challenges and risks posed by the modern world. But whilst technological development must be an ongoing area of focus, the Board remains fully committed to our branch network, as evidenced by our recently completed branch refurbishment programme.

The Society has a proud history of prudent management in difficult market conditions and we do not intend to stray from our well-tested approach. As addressed under the Risk Management Report, all risks are monitored carefully through our Risk Management Framework. In addition, we perform regular stress testing as part of our Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) regulatory assessments as well as our forward-looking corporate plan. Through these robust processes, we test a range of severe stresses across each of the Society's principal risks. These include house price reductions, lower mortgage book quality, net interest margin compression, cost pressures, regulatory pressures, liquidity changes and operational events which are significantly more severe than current external economic projections. Such testing continues to demonstrate that the Society is sufficiently strong to withstand the impacts of these stresses which have been assessed as part of the Going Concern Statement on page 33.

In summary, the Board considers that despite the challenging market conditions that are likely to prevail in 2024, the Society remains robustly positioned to navigate through the economic, competitive and other headwinds it may face.

Rachel Court
Chair
29 February 2024

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

As a Building Society, we have an important social purpose. We were created to provide a safe home for members' savings in order to fund mortgages, thereby supporting those seeking to put a roof over their heads but who may lack the necessary means to do so. As a result, since our inception over 160 years ago, we have been committed to being socially responsible and to making a positive difference to the lives of our members, employees and the local community. Our purpose forms the bedrock of our approach to our Environmental, Social and Governance (ESG) responsibilities.

The United Nations (UN) has called on governments, businesses and others around the world to end extreme poverty, fight inequality and injustice, and limit climate change through a range of sustainability development goals. Over recent years we have worked with an expert third party to develop our ESG strategy which aligns to the below UN sustainability goals that are considered most relevant to our business model.

"Since our inception over 160 years ago, we have been committed to being socially responsible and to making a positive difference to the lives of our members, employees and the local community. Our purpose forms the bedrock of our approach to our Environmental, Social and Governance (ESG) responsibilities."

Progress to date is summarised in the table below.

2020	2021	2022	2023	2027 & Beyond
✓CFO appointed SMF (regulatory responsibility) for climate risk	✓ Climate scenario analysis (physical and transition risk) undertaken	✓Scope of Climate Working Group expanded to cover ESG	✓Mortgage portfolio EPC rating baselined	• Target zero net carbon position for scope 1 and 2 emissions*
✓Climate Working Group established	✓ ICAAP (internal capital adequacy assessment process) document updated for climate risk and scenario analysis	✓Green Ambition announced on website	✓Green Further Advance Mortgage launched	• Net Zero by 2050
	✓ Qualitative risk appetite for climate risk set	✓Policies updated to cover ESG risks	✓Branch & Head Office refurbishments completed with accessibility measures	
	✓ Charitable Foundation announced	✓Carbon footprint assessment completed	✓LED lighting installed in all branches and head office leading to 90% reduction in energy required to light these buildings	
		✓100% energy obtained from renewable sources	✓Charitable Foundation donated £21,000 to community causes	
		✓First Green Product (Holiday Let) launched	✓Society donated £125,000 to local clubs and causes	
		✓Charitable Foundation launched. £13,000 donated to local causes	✓180 staff volunteering days completed	
		✓Society commits to donate £500k (£100k pa) by 2027 to local clubs and causes	✓Agreement reached with AEDdonate to provide 100 defibrillators over 4 year period. Rollout commenced	
		✓95 staff volunteering days completed	✓41% of senior management positions held by women	
		✓Equality, Diversity and Inclusion Strategy approved by Board		

* Scope 1 emissions are defined as direct emissions from company vehicles and natural gas, whilst scope 2 emissions are defined as indirect emissions relating to the purchase of electricity.

Environmental

The financial services industry has an important part to play in the transition to a lower carbon economy and the Society has a responsibility to meaningfully contribute to the climate change and sustainability agenda. We are fully committed to achieving a net neutral carbon position by 2050.

During the year, a wide range of actions were completed in support of our commitment to reduce our emissions and with a view to making a positive difference to the environment:

- The programme to refurbish all 12 of our branches and Head Office was completed and all premises now have modern, highly efficient LED lighting. As a result, the energy required to light these buildings has reduced by approximately 90%.
- As part of the Head Office redevelopment, we have installed shower facilities and bicycle racks, thereby incentivising colleagues to cycle/run/walk to work where they can.
- We have installed electric vehicle charging points at our Head Office.
- A salary sacrifice scheme has been introduced for staff wishing to purchase an electric vehicle.
- We have continued to use a specialist waste management company to recycle waste from our Head Office and branch network as well as an electricity supplier which provides electricity from 100% renewable sources.
- Our staff volunteering programme has seen colleagues supporting many environmental projects locally including landscaping community gardens, maintaining green space and planting trees.
- In addition, we are currently engaging with relevant third parties to establish if solar panels can be installed at our Head Office in order to generate our own electricity.

During the year, we also reviewed potential options for accredited carbon-offsetting initiatives. We have decided to focus our efforts on initiatives that benefit the local community. Whilst this means we will not gain the accreditation associated with initiatives that focus on projects in third world areas, our approach will allow us to maintain our strong links with the communities we serve and to make a positive difference in line with our purpose.

"During the year, a wide range of actions were completed in support of our commitment to reduce our emissions and with a view to making a positive difference to the environment."

In terms of products, we introduced our first green product, the Holiday Buy to Let Mortgage, in 2022, and during the year we augmented this with the launch of a Green Further Advance Mortgage which allows customers to upgrade the energy efficiency of their homes and/or investment properties.

In 2019, the Prudential Regulation Authority (PRA) published Supervisory Statement 3/19, "Enhancing banks' and insurers' approaches to managing the financial risks from climate change". We have put the necessary governance in place to ensure there is appropriate oversight of the financial risks posed by climate change.

- The Finance Director has responsibility for assessing and reducing the environmental impact of the Society's activities and for implementing governance arrangements to ensure climate change is well managed by the business. We have in place an ESG Committee, chaired by the Finance Director, to oversee the development and implementation of our ESG agenda. This committee provides regular updates to the Board via a detailed ESG scorecard and MI on a quarterly basis.
- Climate change risk is considered regularly by executive management, the Board Risk Committee and the Board, with this forming part of a wider ESG risk assessment. Terms of reference have been updated for all relevant committees to ensure climate change is subject to robust oversight.
- On a triennial basis, the Society works with an independent, expert third party to assess and model the physical and transitional risks associated with climate change on our mortgage assets. In 2021, this work demonstrated that even in a high emission scenario, the impact of climate change on the Society would not be material. It was concluded that less

than 1% of our mortgage assets were exposed to flood risk and the Board decided that no immediate changes to our lending activities were required. A further assessment will be carried out in 2024.

- The results of the aforementioned independent review of our climate change risks was factored into the Society's Internal Capital Adequacy Assessment Process (ICAAP) during the year, which was subject to detailed review by the Board Risk Committee and Board.
- We further improved the sophistication of our scenario analysis in 2023 and we will continue to develop this analysis over the coming years as emerging trends develop in order to ensure our business strategy remains aligned with the need to manage the financial risks arising from climate change.

Social

In line with our purpose, we are passionate about making a positive impact on society – our members, staff and the local community. In this regard, a broad range of actions and initiatives were taken during the year.

- We have set ourselves an ambitious target to provide £500,000 to charities and community groups between 2023 and 2027, an average of £100,000 per year, through grants, donations, and sponsorships. During 2023, £125,000 was contributed to such causes. This included funds donated by members through our affinity savings account range.
- We developed our suite of local partnerships even further in 2023 with the introduction of financial education support for both our members and local young people. We partnered with Potteries Moneywise to host a series of money clinics in our branches to offer assistance and expertise on a range of subjects including effective money management, budgeting, benefits eligibility and managing debt during these difficult times. We also partnered with national charity, Young Enterprise to deliver financial education in each of the 11 towns where we have a branch.

"We developed our suite of local partnerships even further in 2023 with the introduction of financial education support for both our members and local young people."

- We commenced a multi-year partnership with AEDdonate that will see 100 life-saving defibrillators installed across our heartland counties over the next four years.
- Our Charitable Foundation has continued to provide much needed funding to local charities and community groups. It celebrated its first anniversary in 2023 and awarded grants totalling £21,000 during the year.
- We stepped up the level of community support that is provided through our staff volunteering programme. During 2023, 180 days of volunteering were undertaken by our colleagues, an 85% increase on 2022.
- As many financial institutions have been closing the doors of their branches, we continued to go against the grain by investing in our branch network. We completed the programme to refurbish all our branches during the year.

"We stepped up the level of community support that is provided through our staff volunteering programme. During 2023, 180 days of volunteering were undertaken by our colleagues, an 85% increase on 2022."

- We also completed the refurbishment of our Head Office, providing a vibrant and modern place of work for our staff. We also enhanced accessibility, including the installation of lift and ramp access, following which the Society became accredited by the national Disability Confident Scheme. Our improved facilities are also being made available for use by local community groups free of charge.
- In addition to establishing a market-leading culture as evidenced by our staff survey results, we have taken concerted measures to support the welfare of our employees. Mental health support was provided by trained internal employees as well as through free access to external resources. Funded health screenings were provided for colleagues at all levels and we also implemented improvements to staff remuneration which were appropriately cognisant of the challenges faced by the high cost-of-living. Our approach to staff welfare was recognised externally when we won the national CIPD award for Best Health and Wellbeing Approach 2023. We were also awarded Employer of the Year 2023 at the Staffordshire Chambers of Commerce awards.

"As many financial institutions have been closing the doors of their branches, we continued to go against the grain by investing in our branch network. We completed the programme to refurbish all our branches during the year."

- Equality, diversity and inclusion (EDI) continues to be an important area of focus for the Society and our Board-approved strategy continued to make our organisation more diverse, inclusive and reflective of the communities we serve. As part of this work, we established a Staff EDI Forum made up of a diverse range of colleagues from across the business. Furthermore, we actively engaged with the FCA's consultation paper CP23/20: Diversity and inclusion in the financial sector – working together to drive change, and the PRA's consultation paper CP18/23: Diversity and inclusion in PRA-regulated firms.
- Under HM Treasury's Women in Finance Charter, we committed to increase the representation of women in our workforce which we have been steadily progressing over recent years. We had committed to achieving a 45% representation of females by December 2023 across the combined Board of Directors, Executive Committee and Senior Management. This target was achieved in April 2023 but had reduced to 41% by year end due to changes in our workforce.
- The Society continued to be accredited by the Good Business Charter. This consists of ten components that link to responsible business behaviour including diversity and inclusion, real living wage, fair hours and contracts, employee well-being, employee representation, environmental responsibility, paying fair tax, commitment to customers, ethical sourcing, and prompt payment.

Governance

The Board's Corporate Governance report is set out on page 34.

As noted above, the Society has in place an ESG Committee, chaired by the Finance Director, to oversee the development and implementation of its ESG agenda. This Committee provides regular updates to the Executive Committee and to the Board.

Steve Clarke
Finance Director
29 February 2024

"The Society continued to be accredited by the Good Business Charter. This consists of ten components that link to responsible business behaviour including diversity and inclusion, real living wage, fair hours and contracts, employee well-being, employee representation, environmental responsibility, paying fair tax, commitment to customers, ethical sourcing, and prompt payment."

DIRECTORS' PROFILES

NON-EXECUTIVE DIRECTORS

Rachel Court
JP, BA Oxon

Independent Non-Executive Director since November 2014 and Independent Chair since April 2016.

Skills and Experience
Rachel has 23 years of experience working in the Building Society sector including 8 years at Executive level. This has been followed by 8 years operating as a Non-Executive Director in the broader financial services sector as well as in the Public and Voluntary sectors.

After an 18 month period as a Non-Executive Director on the Board of Leek Building Society, Rachel was appointed to the position of Independent Chair in April 2016. Since then she has overseen the reshaping of the Society's Board, including the appointment of a new Chief Executive in 2018 and a number of additional Executive and Non-Executive Director changes.

Rachel has a career-long commitment to and understanding of the mutual sector and a passion for its ethos. She has a particular understanding of customer service transformation, operational efficiency and risk management, HR and remuneration, product development, sales, mortgage lending and the Intermediary market as a result of her previous roles, and has considerable experience of managing Regulatory engagement. As a leader, she brings a strong commitment to excellent team working and to building an open and constructive environment in which the interests of all stakeholders are fully considered in developing the Society's strategy and overseeing its performance.

As well as Chairing the Board, Rachel also chairs the Board Nominations Committee and is a member of the Board Remuneration Committee.

Current external positions
Rachel currently holds the following external appointments:
- Independent Chair of Invesco Pensions Limited, where she is also a member of the Audit and Risk Committee.
- Non-Executive Director of Invesco UK Limited (to 12 December 2023).
- Non-Executive Director of Invesco Asset Management Ltd and Chair of the Risk Committee.
- Governor – Calderdale College.
- Magistrate.

Felicity Bambery
BA, FCA

Independent Non-Executive Director since July 2022.

Skills and Experience
Felicity is an audit and assurance professional who has specialised in financial services for over 25 years. She is a chartered accountant and accredited controls assurance provider who during her executive career has worked with building societies, banks, investment managers, custodians, administrators and pension schemes.

Immediately prior to taking up her role with the Society, Felicity was a partner in a global professional services firm and led numerous external and internal audit and controls assurance engagements, governance and regulatory reviews. She has also acted as the Head of Internal Audit for organisations and held a number of roles on committees for industry bodies. Felicity led a national team and her responsibilities included business and people development, risk and quality and relationship management.

Felicity is Chair of the Board Audit Committee and is a member of the Board Risk Committee and Board Remuneration Committee.

Current external positions
Felicity currently holds the following external appointments:
- Co-opted Committee Member of the Audit, Risk and Compliance Committee for TPT Retirement Solutions Limited.
- Co-opted Committee Member of the Audit, Risk and Compliance Committee for Verity Trustees Limited.

Dave Cheeseman
BSc, FIA

Independent Non-Executive Director since April 2021.

Skills and Experience
Dave is an actuary with over 30 years' experience in financial services within the UK and overseas including life insurance, pensions and investment platforms. He has served as a Director of various regulated companies in the sector over the last 14 years, including Phoenix Life, Abbey Life, SunLife, AXA Isle Of Man and AXA Wealth.

During his executive career, Dave has held a wide range of roles including Finance Director, Strategy Director and Chief Operations Officer. He was responsible for running large finance and operational teams and for driving commercial growth and strategic change across organisations.

Dave chairs the Board Risk Committee and is a member of the Board Audit Committee and the Board Nominations Committee.

Current external positions
Dave currently holds the following external appointments:
- Independent Non-Executive Director at Holloway Friendly Society Limited since 2020 where he chairs the Audit and Risk Committee.
- Independent Non-Executive Director at Amber River Group since September 2021, where he chairs the Audit and Risk Committee.

Jane Kimberlin
BA

Independent Non-Executive Director since November 2016 and Senior Independent Director since March 2022.

Skills and Experience
Jane is an internationally experienced Board Chief Information Officer / Information Technology Director with over 30 years of delivering significant transformation across a wide range of companies including financial services, retail and utilities. She led the successful merger of IT for several major companies following acquisitions.

With her experience in retail, Jane is a strong advocate of the customer at the heart of the business. Having managed large teams who were responsible for the development and performance of various major digital platforms, Jane is able to leverage her change and technical skills. Jane is passionate about the appropriate use and development of technology and works voluntarily encouraging children and adults to have a successful career in IT.

Jane is a former IT Director of BNP Paribas, a former IT Director of Domino's Pizza, a former IT Director of Scottish and Newcastle/Spirit Group and a former IT Director of PowerGen (now E.ON). Jane is a former Fellow of the Institute of Directors.

Jane is a member of the Board Risk Committee, Board Remuneration Committee and Board Nominations Committee.

Current external positions
Jane currently holds the following external appointments:
- Director and Society Secretary, Creaton Community Benefit Society.
- Director, Creaton Consultants.
- Court Liveryman, Worshipful Company of Information Technologists.

John Leveson
MBA, FCIB

Independent Non-Executive Director since May 2015.

Skills and Experience
John has over 40 years experience in a wide range of roles within the Building Society sector including 17 years as an Executive Director and latterly Deputy Chief Executive of a regional building society. In addition to serving on a building society group Board, he served on and chaired the boards of subsidiary companies involved in estate agency, financial planning and car finance.

This has given John a strong understanding of the Building Society sector and he is a strong advocate of the benefits of mutual business model in financial services. During his career, he has developed skills and expertise across a broad range of areas including marketing, sales, product development, mortgage underwriting and customer services.

John is Chair of the Board Remuneration Committee and is a member of the Board Audit Committee.

Current external positions
John currently holds the following external appointments:
- Non-Executive Director of H&H Group plc.
- Volunteer driver for a community bus service which serves the rural area where John lives.

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Andrew Healy MBE, MoB, BSc, Chartered FCIPD

Chief Executive and Executive Director since December 2018.

Skills and Experience

Andrew has more than 30 years of experience in the financial services sector in the UK and internationally, including 17 years at CEO and Board level. He has been the Society's Chief Executive since December 2018.

Andrew has a very deep commitment to the ethos of mutuality and the responsibility of financial institutions to contribute tangibly to the communities they serve. In 2023, he was awarded an MBE for services to the local community.

Andrew is a former Chairman of the Northern Ireland Banking Association and a former Board Director of the Asian Banking Association. He is a Fellow of the Institute of Banking in Ireland and a Chartered Fellow of the UK Chartered Institute of Personnel and Development.

Andrew is a member of the Board Nominations Committee and he attends the Board Risk Committee, Board Audit Committee and Board Remuneration Committee. In terms of management committees, Andrew chairs the Executive Committee, Asset and Liability Committee, All Risks Committee, Credit Risk Forum and Change Programme Steering Committee.

Current external positions

- None

Darren Ditchburn MSc, AdvCeMAP

Deputy Chief Executive and Executive Director since January 2022.

Skills and Experience

Darren has extensive expertise in the financial services industry having spent 18 years at a previous building society, with nine years at the executive level. His career started on the branch counter and he went on to undertake various roles culminating in the role of Chief Customer Officer where he oversaw branches, mortgage advice, intermediaries, and digital and product propositions. Having acquired professional qualifications from the ifs School of Finance, Darren furthered his education with a Master's Degree in Leadership and Management from Loughborough University in collaboration with the Building Societies Association.

Darren's current responsibilities include the Branch Network, IT and Change, and Customer Operations, encompassing savings, mortgage, and administration support teams. His mandate extends to formulating IT, digital, operations, branch, and customer service strategies aligned with the Society's corporate plan.

Darren chairs the Conduct and Product Forum and Operational Resilience Forum, and is a member of the Executive Committee, All Risks Committee, Credit Risk Forum, Asset and Liability Committee, Change Programme Steering Committee and Pricing Forum. He is a member of the Board and attends the Board Risk Committee and Board Audit Committee.

Current external positions

- None

Andrew Davies

Chief Risk Officer and Executive Director since September 2021.

Skills and Experience

Andrew has over 35 years of treasury and risk management experience gained within the financial services sector. He joined the Society in January 2018 and was appointed to the Board in September 2021. His role is to ensure that the Society manages risk robustly and operates in line with its clearly defined risk management framework. In addition to having management responsibility for risk and compliance, he also acts as the Society's Money Laundering Reporting Officer and Data Protection Officer.

Having started his career in the branch network of a clearing bank, Andrew then moved to the building society sector where he gained extensive treasury experience, becoming Assistant Treasurer in one of the country's largest societies. More recently he held a senior risk management role covering market risk, liquidity risk and counterparty credit risk.

For the majority of his career, Andrew has worked within mutual organisations, reflecting his commitment to the sector and its ethos. He strongly believes that member owned organisations are best placed to provide real value to their members and positively impact the communities they serve.

Andrew is a member of the Executive Committee and All Risks Committee. He also attends the Board Risk Committee and Board Audit Committee, Credit Risk Forum, Asset and Liability Committee, Operational Resilience Forum and the Change Programme Steering Committee.

Current external positions

Andrew currently holds the following external appointments:

- Board Trustee of Leek Building Society Charitable Foundation.

Steve Clarke BA, ACMA

Finance Director and Executive Director since November 2022.

Skills and Experience

A Chartered Accountant for almost 20 years, Steve has more than 14 years of experience in the Building Society sector as well as significant experience in broader financial services.

Steve is responsible for managing the Society's capital, funding and liquidity positions. Central to his role is ensuring the integrity of financial and regulatory reporting whilst ensuring the Society operates an effective stress testing framework. Steve also holds executive responsibility for managing the Society's exposure to the financial risks associated with climate change and for championing the overall ESG agenda.

Steve chairs the Regulatory Reporting Forum, Pricing Forum and ESG Committee. He is also a member of the Executive Committee, Asset and Liability Committee, All Risks Committee, Credit Risk Forum and Change Programme Steering Committee.

Current external positions

- None

PROUD OF OUR STAFF

Staff were recognised throughout the year for living our values

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report together with the Annual Accounts and Business Statement of the Society for the year ended 31 December 2023.

This Directors' Report should be read in conjunction with the Chair's Statement, Chief Executive's Review, Strategic Report and Risk Management Report.

Information presented in other sections

Certain information required to be included in a Directors' report can be found in other sections of the Annual Report and Accounts as described below. All the information presented in these sections is deemed to form part of this report.

Business objectives and activities	Strategic Report
Business review and future developments	Strategic Report
Principal risks and uncertainties	Risk Management Report
Financial risk management objectives	Risk Management Report
Disclosure requirements under CRD IV country-by-country reporting	Note 29 to the Accounts

The following served as Directors of the Society during the year and to the date of this report.

Keith Abercromby	Non-Executive Director	Resigned 26 April 2023
Felicity Bambery	Non-Executive Director	
Dave Cheeseman	Non-Executive Director	
Steve Clarke	Finance Director	
Rachel Court	Non-Executive Director	
Andrew Davies	Chief Risk Officer	
Darren Ditchburn	Deputy Chief Executive	
John Gibson	Non-Executive Director	Appointed 25 January 2024
Andrew Healy	Chief Executive	
Jane Kimberlin	Non-Executive Director	
John Leveson	Non-Executive Director	

Biographies of the Directors appear on pages 26 to 29 and their attendance at meetings of the Board and Board Committees is set out in the Corporate Governance Report on page 34.

In accordance with the requirements of the Corporate Governance Code, to which the Society has due regard, all the Society's Directors are seeking re-election to the Board at the Annual General Meeting with the exception of:

1. John Leveson, who will retire from the Board on 24 April 2024.

No Director had any beneficial interest in the shares or debentures of any of the Society's subsidiary undertakings.

Other Matters

Creditor Payment Policy

It is the Society's policy to pay suppliers within agreed terms providing the supplier performs according to the terms of their contract with the Society. The number of creditor days at 31 December 2023 was 3 (2022: 18).

Political Donations and Gifts

The Society has not made any political gifts or donations in the year to 31 December 2023 (2022: £nil).

Events since the Year-End

The Directors do not consider that any event since the year-end has had a material effect on the financial position of the Society as disclosed in the Annual Accounts.

Provision of Information to Auditors

Each person who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Society's auditor is unaware; and
- Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Independent Auditor

Following a robust selection process, a formal resolution to appoint PricewaterhouseCoopers L.L.P as external auditor for the financial year ending December 2023 was agreed by the Society's members at the Annual General Meeting on 26 April 2023. The Board is recommending that PricewaterhouseCoopers L.L.P be reappointed as external auditor of the Society for the financial year ending 31 December 2024. A resolution for their appointment will be proposed at the forthcoming Annual General Meeting.

Pillar 3 disclosures

The Society is required to set out its capital position, risk exposures and risk assessment processes in its Pillar 3 disclosures document. These are available on the Society's website.

Going Concern

The Directors confirm that their assessment of the principal risks facing the Society is robust.

The Society conducts annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reviews to assess and stress test its capital and liquidity positions respectively, in line with Prudential Regulation Authority (PRA) requirements. These include the need to model the impact on the Society of a range of severe but plausible stresses to residential house prices, unemployment, interest rates and funding outflows. Supported by these reviews, the Directors have prepared forecasts for a period of at least twelve months from the date of approval of the accounts of profitability, capital, funding and liquidity which take account of the Society's current position and its principal risks as set out in the Risk Management Report, including a severe but plausible stress scenario. The severe but plausible stress is established and defined in detail during the annual ICAAP and ILAAP reviews, in line with PRA requirements. Considerations are given to a range of factors, including but not limited to HPI fluctuations, changes in customer propensity of default, unemployment, interest rate changes, inflation and circumstances that may give rise to funding outflows either on an idiosyncratic level or sector wide. Based on these forecasts, the Directors are satisfied that the Society has adequate resources to continue in business for a period of at least twelve months from the date of approval of the accounts.

The Directors consider it appropriate to prepare the annual accounts on the going concern basis, as explained in the Basis of Preparation in note 1 to the accounts.

Rachel Court
Chair
29 February 2024

CORPORATE GOVERNANCE REPORT

The UK Corporate Governance Code (the Code) is a set of principles of good corporate governance predominantly aimed at listed companies. Whilst Leek Building Society is not strictly required to comply with the Code, as it is not a listed company, the Prudential Regulation Authority requires the Society to have regard to the Code in establishing and reviewing its corporate governance arrangements.

The Code does not set out a rigid set of rules, rather it asks organisations to either comply or to explain non-compliance with its provisions. The last revision to the UK Corporate Governance Code was issued by the Financial Reporting Council (FRC) in July 2018.

This report explains how the Society applies the principles in the Code so far as they are relevant to building societies. There are departures from the Code as a result of the business being structured as a mutual, rather than a limited company, and being owned by you, our members, rather than shareholders.

The role of a building society board is one of stewardship, running the Society not just for the benefit of current members, but also for future generations of members. The notion of stewardship demands a long-term perspective on financial stability, customer propositions and investment. Therefore, the focus in the Code on boards promoting long-term sustainable success supports the Society's mutual ethos.

Leek Building Society is committed to good practice in corporate governance and this report explains how the Society has regard to the Code.

BOARD LEADERSHIP & COMPANY PURPOSE

Principle A - A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

The Society is led by an effective Board which meets at least eight times per year. In addition to its fourteen meetings in 2023, the Board held a strategy day to review the Society's overall strategic aims and long term objectives.

It is the Board's responsibility to oversee the delivery of the Society's corporate plan. The Board is also responsible for ensuring that an effective framework of prudent and effective controls is in place to enable risk to be assessed and managed. The Board is accountable to members for the careful direction of Society affairs, the safe stewardship of funds held on members' behalf and the provision of high quality products and services which meet the needs of individual members whilst offering a fair deal to all.

There have been two changes to the Board during 2023. Keith Abercromby, Chair of Board Audit Committee, left the Society on 26 April 2023. Felicity Bambery was appointed as Chair of Board Audit Committee on 1 April 2023. At the end of 2023, the Board consisted of five Non-Executive Directors and four Executive Directors. The Non-Executive Directors meet regularly without the Executive Directors being present.

Certain responsibilities are delegated by the Board to the Society's executives and management team. The Board has agreed a management structure which creates strong corporate governance and accountability. In line with the regulated Senior Managers and Certification Regime, the Society maintains a Management Responsibilities Map which sets out the individual and overall responsibilities of Board Members and Senior Management. The Board appointed Dave Cheeseman, Non-Executive Director and Chair of the Board Risk Committee, as the Board Consumer Duty Champion. This role is designed to support the Chair and Chief Executive in raising the Duty regularly in all relevant discussions, and challenging management on how it is embedding the Duty and focussing on customer outcomes.

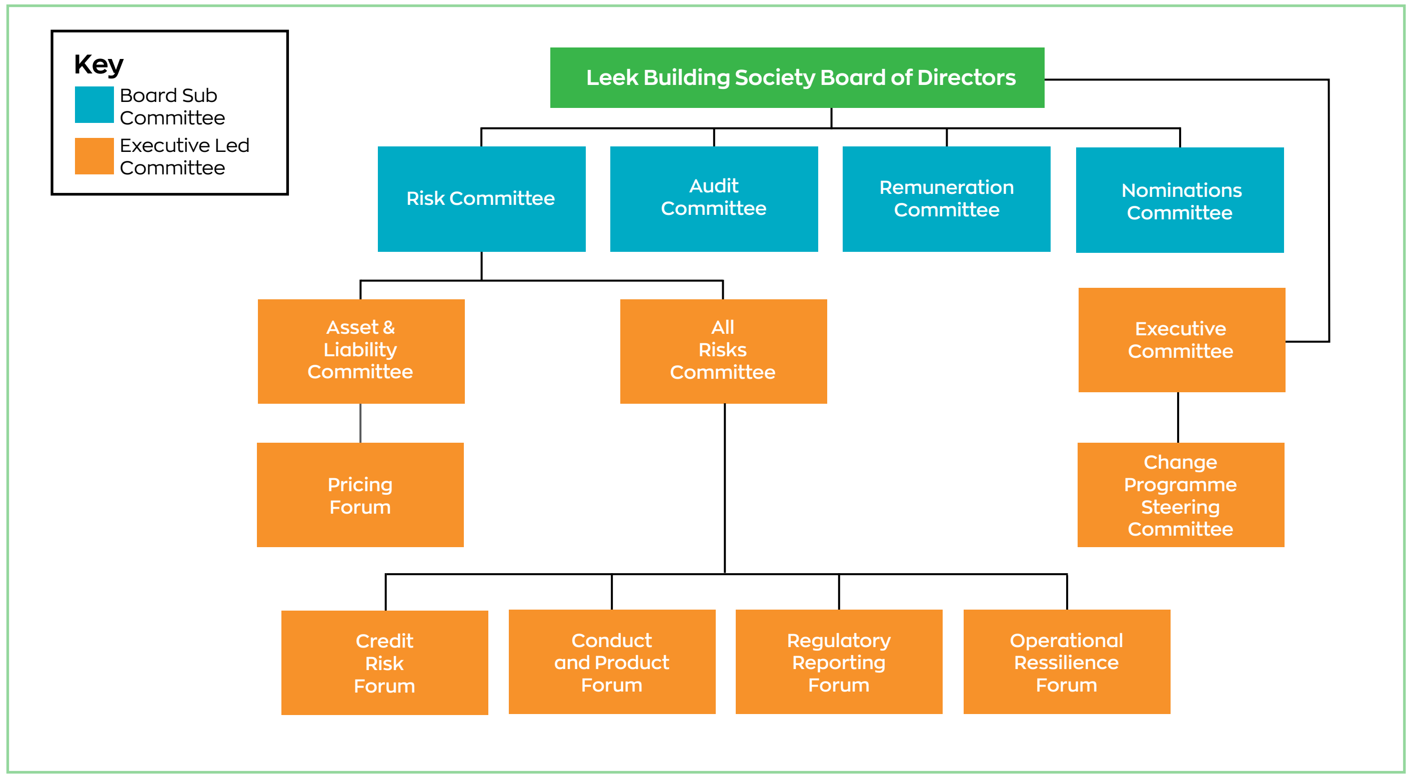
The Board ensures the effectiveness of systems, internal controls and risk management through a combination of processes, including:

- Regular reports are provided to the Board and Board Risk Committee by the Society's Chief Risk Officer (CRO) on the principal risks facing the Society and the adequacy of controls that are in place.
- Regular reports are provided to the Board and the Board Audit Committee by Internal Audit with respect to its independent audits of risk management processes and the effectiveness of internal controls across the Society.
- An annual assessment of the effectiveness and independence of the Society's Risk and Compliance function is conducted by the CRO which is considered by the Board Risk Committee.
- The Board receives a monthly CRO report which provides an independent assessment of current and emerging risks and the effectiveness of the controls and mitigating actions that are in place.
- An independent reporting line between the CRO and the Chair of the Board Risk Committee is maintained at all times.
- The Board reviews the adequacy and security of the Society's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters. The Board ensures these arrangements allow for proportionate and independent investigation of such matters and appropriate follow up action.

The Board can confirm that during 2023, it carried out a review of the Society's risk management systems and internal control framework and it is satisfied that these are adequate, taking into account the Society's size, risk profile and strategy.

The Society's governance structure (right) includes both Non-Executive and Executive led committees. The Non-Executive led committees comprise the Board Risk Committee, Board Remuneration Committee, Board Audit Committee and Board Nominations Committee. The Non-Executive Directors who chair the aforementioned committees provide feedback to the main Board following each meeting. The Executive led committees comprise the Executive Committee, All Risks Committee, Credit Risk Forum, Asset & Liability Committee, Conduct and Product Forum, Pricing Forum, Change Programme Steering Committee, Operational Resilience Forum and Regulatory Reporting Forum. The Executive Directors who chair the aforementioned committees provide feedback to the main Board, or relevant Board subcommittee, following each meeting. The responsibilities and activities of the various Board subcommittees are described in detail on pages 35 to 36 of this annual report.

Governance Committee Structure



Board Risk Committee

The Board Risk Committee, a subcommittee of the Board, has a number of responsibilities which are set out in the Board Risk Committee Report on page 48.

Board Audit Committee

The responsibilities of the Board Audit Committee, a subcommittee of the Board, are set out in the Board Audit Committee Report on page 42.

Board Remuneration Committee

The responsibilities of the Board Remuneration Committee, a subcommittee of the Board, are set out in the Board Remuneration Committee Report on page 46.

Board Nominations Committee

The responsibilities of the Board Nominations Committee, a subcommittee of the Board, are set out in the Board Nominations Committee Report on page 44.

The Terms of Reference for the Board and Board subcommittees are available on the Society's website www.leekbs.co.uk. Proceedings of all committees are formally minuted. Minutes are distributed to all Board members and the Chair of each committee reports on key matters covered at the following Board meeting.

Principle B - The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.

The Board has defined the Society's purpose, values and strategy and reviews the Society's culture to ensure its alignment with these. The Chair is responsible for leading the development of the Society's culture, while the Chief Executive is responsible for overseeing the adoption of the Society's culture in the day-to-day management of the Society.

The management information reviewed by the Board includes reporting on the Society's culture. A Culture Update is provided to the Board under the Society's four core values on a quarterly basis by way of a culture dashboard and supporting commentary.

Principle C - The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Board reviews matters of strategic importance throughout the year both at its regular meetings and at strategy days which are convened with the Executive Directors to identify, debate and assess the strategic options available to the Society.

A five-year corporate plan is prepared by the Society's management which is subject to rigorous challenge by the Non-Executive Directors.

The Society uses the Board-approved Risk Management Framework (RMF) as part of its strategy to manage risk proactively in accordance with its Board-approved risk appetites. The Board is provided with reports on the performance of each area of the business as well as on the effectiveness of the RMF.

Principle D - In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

As a mutual organisation, the Society has members rather than shareholders. Member involvement is encouraged by inviting savers and borrowers to engage with the Society in various ways. That is not to say that every member must be an active participant but they should be able to if they so wish. The Society uses a range of methods to promote active participation and engagement with members including regular real-time member feedback via the independent Smart Money People platform, an annual governance survey, certain member engagement events and by providing insightful website content and updates including direct member mailings where email addresses are held. A member newsletter was issued to savings members in September 2023 which included an introductory message from the CEO and details of cost-of-living support for members as well as details of the new Mortgage Charter, investment in branches, community initiatives and savings interest rates. A second newsletter was issued to mortgage members in early 2024. Real-time Smart Money People feedback was shared with, and reviewed by, the Board on a monthly basis. In addition, a governance survey was issued to members as part of the Annual General Meeting mailing to obtain member views on a

CORPORATE GOVERNANCE REPORT
(CONTINUED)

range of areas, including how effectively the Society is run and the extent to which Member interests are at the heart of the Society's decisions. While feedback was generally positive, the Board agreed a number of follow-up actions from this survey which have been implemented.

The 2023 Annual General Meeting (AGM) was held at the Society's Head Office in Leek and provided a valuable opportunity to meet with members in a face-to-face setting. Members who did not attend were also provided with the opportunity to ask questions of the Board ahead of the meeting. Minutes of the AGM, which included all voting details as well as questions raised by members and answers provided, were published on the Society's website following the meeting.

Principle E - The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

The Board ensures that workforce policies and practices are consistent with the Society's values and support its long-term sustainable success. The Board engages directly with employees in a number of ways, including through the hosting by Non-executive Directors of regular staff forums where a cross-section of colleagues are invited to share their views on a range of matters relating to the Society's culture and management. Three such forums were held in 2023. In addition, two talent breakfast meetings were held to enable Board members to meet with high-potential individuals. A number of branch visits were also conducted by Board members which provided additional opportunities for valuable two-way feedback. Staff feedback gained through these mechanisms was shared with the wider Board and considered when making decisions. In addition, Board members observed a number of internal committee and operational meetings. A log summarising Board members' interactions with employees and any issues raised was also maintained and actively managed. Jane Kimberlin, Senior Independent Director, is the Board member with responsibility for bringing the voice of the Society's employees to the Board. Throughout the year, Jane co-ordinated the aforementioned employee engagement activities and reported on them to the Board.

The Board reviews the adequacy of the Society's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Board ensures these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. The Society has a Board-approved Whistleblowing Policy and the Society's Whistleblowing Champions are Jane Kimberlin, Senior Independent Director and Rachel Court, Chair. In support of their responsibilities as Whistleblowing Champions, an annual whistleblowing report is provided to the Board to set out the whistleblowing disclosures during the reporting period. Annual testing is also conducted as part of the review of the Whistleblowing Policy to ensure (which they did) that the corresponding processes to escalate a whistleblow worked effectively and that there were no detrimental impacts to the reporter.

DIVISION OF RESPONSIBILITIES

Principle F - The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information.

The Chair sets the direction of the Board and promotes a culture of openness and fairness by facilitating effective debate and contribution of Non-Executive Directors whilst maintaining constructive relationships between Executive and Non-Executive Directors. The Chair also ensures that Directors receive accurate, timely and clear information.

The Society's Chair, Rachel Court, was appointed as a Non-Executive Director in November 2014 and became Chair in April 2016. Rachel has never held the position of Chief Executive of the Society, nor has she ever been an employee of the Society.

To support Board governance and stability, the Board during the year approved a proposal from the Board Nominations Committee to extend the Chair's tenure by one year. Rachel Court's 9-year tenure was due to come to an end in November 2023 and the Board approved an extension to her end date to November 2024 (formal departure date will be April 2025 following the Annual General Meeting). The relevant sections of the Financial Reporting Council's Corporate Governance Code and Guidelines for Board Effectiveness were reviewed and fully complied with. Rachel remains independent and free of conflicts of interest and continues to perform both as Chair and Non-Executive Director with the highest standards of integrity, diligence and independence whilst robustly holding management to account, demonstrating objective judgement and promoting constructive challenge among other Board members.

Principle G - The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board's decision making. There should be a clear division of responsibilities between the leadership of the Board and the Executive leadership of the company's business.

The Board is comprised of five Non-Executive Directors and four Executive Directors. All of the Non-Executive Directors are considered to be independent under the Code. Jane Kimberlin is the Society's Senior Independent Director. Jane acts as a sounding board for the Chair and serves as an intermediary for the other Non-Executive Directors where necessary. She also has responsibility for leading the Non-Executive Directors in the performance appraisal of the Chair and acts as a contact for any Non-Executive Director who may feel that contact with the Chair would not be appropriate.

Principle H - Non-Executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

On appointment, Non-Executive Directors receive a formal letter clearly setting out the Society's expectations in terms of time commitment, committee service and involvement in activities other than meetings of the Board and/or its committees. The attendance record of Board Directors at Board and Board subcommittee meetings in 2023 is set out right. These meetings were held using a mix of face-to-face and virtual meetings.

Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the Society. The Company Secretary maintains a Directors' Interest Register, which is a record of actual and potential conflicts. Where a conflict may exist or where a matter concerns an individual Director, that Director will excuse himself/herself from the discussions and will not be part of any decision taken. Where Directors have significant other commitments outside the Society, these are set out in the information relating to Directors on page 101.

Attendance record of Board Directors at Board and Board subcommittee meetings

	Name	Board	Board Audit Committee	Board Risk Committee	Board Nominations Committee	Board Remuneration Committee
Non-Executive Directors	Keith Abercromby to 26/04/2023	4 (4)	3 (3)	2 (2)		
	Felicity Bambery	14 (14)	6 (6)	5 (5)		2 (2) From 27/09/2023
	Dave Cheeseman	13 (14)	6 (6)	5 (5)	6 (6)	
	Rachel Court	12 (14)			6 (6)	5 (5)
	Jane Kimberlin	14 (14)		5 (5)	6 (6)	5 (5)
	John Leveson	12 (14)	6 (6)			5 (5)
Executive Directors	Steve Clarke	14 (14)	6 (6) 'A'			
	Andrew Davies	13 (14)	6 (6) 'A'	5 (5) 'A'		
	Darren Ditchburn	14 (14)	2 (2) 'A' From 27/09/2023	3 (3) 'A' From 27/07/2023		
	Andrew Healy	14 (14)	6 (6) 'A'	5 (5) 'A'	6 (6)	5 (5) 'A'

( ) = number of meetings eligible to attend
'A' = attendee at the meeting

As stated under Principle A, the Non-Executive Directors meet without the Executive Directors being present on a regular basis.

Principle I - The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Society has a Board Secretariat position which is held by the Head of Compliance & Secretariat who ensures that all Directors have appropriate access to information, resources and support services. Should it be required, the Directors can take independent legal advice at the Society's expense.

In addition to attending Board meetings, it is a requirement for Board members to ensure their knowledge is updated appropriately in order to demonstrate their ongoing fitness and propriety – in line with the regulated Senior Managers and Certification Regime as well as the requirements of the UK Corporate Governance Code. During 2023, two dedicated Board training days were held to enable Board members to upskill and refresh their knowledge, in addition to Board members completing required e-learning and other ad hoc training.

COMPOSITION, SUCCESSION AND EVALUATION

Principle J - Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The role of the Board Nominations Committee is set out on page 44 of the Board Nominations Committee Report. This report includes details of how the Society complies with this principle.

Principle K - The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.

The role of the Board Nominations Committee is set out on page 44 of the Board Nominations Committee Report. This report includes details of how the Society complies with this principle.

Principle L - Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.

The role of the Board Nominations Committee is set out on page 44 of the Board Nominations Committee Report. This report includes details of how the Society complies with this principle.

The guidance within the UK Corporate Governance Code sets out that smaller firms should consider a Board effectiveness review periodically. The Society completes an internal Board effectiveness review on an annual basis and an external Board effectiveness review every five years. The last external Board effectiveness review was completed in March 2020, therefore the next review will be due for completion in 2025.

AUDIT, RISK AND INTERNAL CONTROL

Principle M - The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

The role of the Board Audit Committee is set out on page 42 of the Board Audit Committee Report.

The responsibilities of the Board Audit Committee include to monitor the effectiveness of the suppliers of internal and external audit services as well as to ensure the integrity of financial and narrative statements. Formal policies and procedures are in place to ensure the independence and effectiveness of the internal and external audit functions.

CORPORATE GOVERNANCE REPORT

(CONTINUED)

Principle N - The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

The Board and Board Audit Committee believe that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information to members to assess performance, strategy and the business model of the Society. The Statement of Directors' Responsibilities is on page 57 and sets out the Board's responsibilities for the preparation of the Society's and Group's Annual Report and Accounts. Business performance is reviewed in detail in the Strategic Report and a statement that the Group's business is a going concern is included in the Directors' Report.

The Board Audit Committee reviewed the Society's accounting policies to ensure that they are in accordance with applicable Accounting Standards and have been applied consistently. The Committee is satisfied that the 2023 Annual Report and Accounts meets this requirement and on 27 February 2024 recommended its approval to the Board.

Principle O - The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long term strategic objectives.

The Society uses the Risk Management Framework (RMF), which is approved by the Board, as part of its strategy to manage risk proactively in accordance with its prudent risk appetite. The Board owns and approves the risk appetite for the Society. The RMF identifies the processes, ownership, responsibilities and risk oversight required to support its effective implementation across the Society. The Society operates a 'three lines of defence' governance model, as shown on page 52, to ensure appropriate responsibility is allocated for the management, reporting and escalation of risks.

The Board has identified a number of principal risks and uncertainties that could threaten its business model, future performance, solvency or liquidity. These risks, together with the way they are mitigated, are included within the 'Principal Risks and Uncertainties' section of the Strategic Report.

The CRO provides assurance to the Board on the effectiveness of the RMF through reporting to, and attendance at, the Board Risk Committee and Board Audit Committee.

REMUNERATION

Principle P – Remuneration policies and practices should be designed to support strategy and promote long term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long term strategy.

The remuneration policies for both Executive and Non-Executive Directors are considered to be fully compliant with this principle. The role of the Remuneration Committee is set out in the Board Remuneration Committee Report on page 46.

Principle Q - A formal and transparent procedure for developing policy on Executive remuneration and determining Director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.

The remuneration policies for both Executive and Non-Executive Directors are considered to be fully compliant with this principle. The role of the Remuneration Committee is set out in the Board Remuneration Committee Report on page 46.

Principle R – Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The remuneration policies for both Executive and Non-Executive Directors are considered to be fully compliant with this principle. The role of the Remuneration Committee is set out in the Board Remuneration Committee Report on page 46.

Rachel Court
Chair
29 February 2024

CHARITABLE FOUNDATION

Our Foundation celebrated it's first birthday in 2023 and is already making a really positive difference.

ENGAGING WITH MEMBERS & ACTING ON YOUR FEEDBACK

Annual Member Survey

Smart Money People feedback

Member Newsletters

Website updates from our CEO

BOARD AUDIT COMMITTEE REPORT

The main purpose of the Audit Committee is to review the Society's financial reporting arrangements, the effectiveness of its internal controls and its risk management framework and exercise oversight of the internal and external audit processes. Through the Committee the Board has established formal policies and procedures to ensure the independence and effectiveness of the internal and external audit functions and satisfy itself on the integrity of the financial statements. The Committee met five times during the financial year. The Committee reports to the Board on its activities and makes recommendations to the Board. The key responsibilities of the Committee are set out below, together with examples of how it discharges these duties.

Membership

Committee Chair: Felicity Bambery
Committee Members: John Leveson, Dave Cheeseman, John Gibson*

Committee composition, skills and experience

The Committee acts independently of the executive to ensure that the interests of members are properly protected in relation to financial reporting and internal control. All of the current members of the Committee are independent Non-Executive Directors. The Chair of the Committee, Felicity Bambery, is a Fellow of the Institute of Chartered Accountants of England and Wales with over 20 years' experience in the financial services sector. Felicity replaced the previous Chair, Keith Abercromby, when he stood down from the Board in April 2023. Dave Cheeseman, Chair of Board Risk Committee, is a member of the Audit Committee, ensuring the two committees work closely together. As advised elsewhere in this annual report, John Gibson was co-opted to the Board in January 2024 as an independent Non-Executive Director and will be recommended for election at the Annual General Meeting in April 2024.

*With extensive building society sector experience, including as a former Chief Conduct Risk Officer and Director of Group Risk with a large society, John also became a member of our Board Audit Committee in January 2024. The Committee as a whole has competence relevant to the financial services sector.

Audit Committee key responsibilities

Financial reporting	• Monitoring the integrity of the Society's financial statements and reviewing key accounting judgements, policies and estimates. • Reviewing the appropriateness of the going concern basis for preparing the accounts. • Recommending to the Board whether the Annual Report and Accounts, when considered as a whole, are fair, balanced and understandable.
External audit	• Considering the appointment, removal, performance and remuneration of the external auditor. • Reviewing the objectivity and independence of the external auditor and the appropriateness of any non-audit services that are delivered. • Reviewing the scope, planning and matters arising from the annual external audit, including any findings raised in the external auditor's management letter. • Reviewing the effectiveness of the external audit process.
Internal control and risk management	• Reviewing the adequacy and effectiveness of the Society's internal control and risk management frameworks. • Reviewing statements including in the Annual Report and Accounts concerning internal controls and risk management.
Internal audit	• Considering and approving the internal audit plan. • Reviewing internal audit reports and considering management responses to internal audit recommendations. • Monitoring and evaluating the effectiveness of internal audit. • Considering the appointment, removal, performance and remuneration of the internal auditor.

Financial reporting

The Committee considered the following significant accounting judgements and estimates, giving due consideration to reports received from external auditors and discussion with management. Further information on the principal judgements and accounting estimates is provided in note 1 to the financial statements.

Allowance for impairment losses on loans and receivables

The Committee reviewed the impairment allowance required for both the individual and collective mortgage impairment allowances. This assessment is based on the level of arrears and forbearance on customer accounts. The key estimates are the probability of defaults applied to the different arrears and forborne segments, the forced sale discount and the expected levels of loan exposure compared to expected levels of security, including mortgage indemnity insurance where appropriate.

When reviewing and calculating the impairment allowances, consideration was given to the cost-of-living crisis and the potential for this to result in higher impairments, as well as the expected impact of economic forecasts over the period during which a repossessed property is sold. Based on this analysis, the Committee deemed a specific overlay, in addition to the individual and collective impairment allowance, of £0.1m was appropriate.

Effective Interest Rate (EIR)

IAS39 requires all cashflows attributable to mortgage products to be spread over their expected life under what is referred to as an effective interest rate basis. Such cashflows include upfront application fees, the cost of free valuations offered, any cash back provided, broker fees and the cost of any mortgage indemnity guarantee (MIG) insurance. The key judgements made in respect of EIR are the expected behavioural life of the loans, any expected early repayment charges and the likely reversion to Standard Variable Rate. The Committee reviewed and challenged the assumptions and were satisfied they were appropriately dealt with in the financial statements.

Hedge Accounting for derivatives

All derivatives entered into by the Group are for the purposes of providing an economic hedge and form part of a macro-hedging programme. Hedge accounting is an optional treatment but the specific rules and conditions in IAS39 have to be complied with before it can be applied.

The Committee reviewed the application of the rules outlined in IAS39 and was satisfied the outcomes remained within appropriate levels of effectiveness.

Retirement benefit obligations

The Committee considered the assumptions utilised in the valuation of the defined benefit pension scheme. The valuation is particularly sensitive to expectations of long-term corporate bond yields, inflation and mortality. Management appointed a third-party specialist for the valuation of the defined benefit pension scheme, which included advice on the assumptions to use and the sensitivity of those assumptions. Having reviewed the sensitivities applied after benchmarking against external data and other organisations, the Committee was satisfied that the pension assumptions were in an appropriate range.

Further information regarding the sensitivities of these assumptions is provided in note 1 to the financial statements.

The Committee reviewed and challenged the assumptions, estimates, risks and sensitivities for each accounting estimate and was satisfied that the provisions were towards the cautious end of the range of sensitivities and that they were appropriately dealt with in the financial statements.

Accounting policies, annual reporting and approval

The Committee reviewed the Society's accounting policies to ensure that they are in accordance with applicable Accounting Standards and have been applied consistently. The Committee also considered whether the 2023 Annual Report and Accounts, when considered as a whole, were fair, balanced and understandable. The Committee is satisfied that the 2023 Annual Report and Accounts meet this requirement and on 27 February 2024 recommended their approval to the Board.

The Financial Reporting Council's (FRC) Audit Quality Review Team (AQRT) selected to review the audit of the Society's financial statements for year ended 31 December 2022 as part of its routine monitoring process of audit firms. The Chair of the Committee received a full copy of the findings of the AQRT and discussed these with KPMG. The Audit Committee also discussed the review findings and the Committee was satisfied with the outcome of the review.

The Committee has continued to monitor developments regarding the Audit Reform Bill (the Bill) and the FRC's transition to the Audit, Reporting and Governance Authority (ARGA). While the Bill was not included in the recent King's Speech, the Society notes the FRC's plans to update the UK Corporate Governance Code (the Code) in early 2024 and will continue to have regard to the Code and to adopt best practice where applicable.

External audit

The Committee is responsible for assessing the effectiveness of the external audit process and for monitoring the independence and objectivity of the external auditor. Both the Board and the external auditor have adequate safeguards in place to ensure the independence and objectivity of the external auditor.

The Society has established a policy that determines when the external auditor can be used for non-audit work and would not consider the appointment of the external auditor for non-audit work where this could, or could be perceived, to impair their independence.

Fees for non-audit work are disclosed in note 6 to the financial statements.

Following approval by members at the Annual General Meeting on 26 April 2023, PricewaterhouseCoopers L.L.P formally took over from KPMG LLP as the Society's external auditor. A key focus for the Committee during 2023 has been to ensure as smooth a transition as possible.

Internal control and risk management

Details of the Society's risk management framework are set out in the Risk Management Report on pages 52 to 56. The Committee has received formal reports from the Society's Risk & Compliance and Internal Audit functions on the Society's internal controls and following due consideration, is satisfied that the control environment has operated effectively during the year.

Internal audit

Internal audit services are outsourced to Deloitte LLP. During the year the Committee monitored the delivery of the internal audit plan and the effectiveness of the internal audit function. In doing so it gained assurance that the resources required to deliver the internal audit plan were available.

In the year to 31 December 2023, Internal Audit carried out a number of internal audits with the findings from each report being presented to the Committee. The Committee also considered the adequacy of management responses to internal audit recommendations and, where appropriate, the implications of any significant findings on the effectiveness of the overall internal control system and the risk management framework.

Assessment of effectiveness

In 2023, the Committee conducted an internal review of its own effectiveness. This involved collective consideration by Committee members of how effectively the Committee had discharged its responsibilities. This review concluded that the Committee continued to operate effectively.

Felicity Bambery

Felicity Bambery
Chair of the Board Audit Committee
29 February 2024

BOARD NOMINATIONS COMMITTEE REPORT

The purpose of the Board Nominations Committee is to ensure the Society has appropriately skilled individuals to carry out Board and executive management roles. The Committee leads the process for appointments to such positions and ensures robust succession plans are in place for them. It adopts a continuous and proactive process of planning and assessment, taking into account the Society's strategic priorities and the main trends and factors affecting the long-term success of the Society. The Committee met six times during 2023.

Membership

Committee Chair: Rachel Court
Committee Members: Dave Cheeseman, Jane Kimberlin and Andrew Healy

Committee composition, skills and experience

The majority of the Committee are independent Non-Executive Directors. The Committee's Chair, Rachel Court, has extensive experience within the financial services sector and is well placed to lead the Committee. Other members of the Committee are independent Non-Executive Directors Dave Cheeseman and Jane Kimberlin, in addition to Chief Executive Andrew Healy. Together these members provide a wide range of background experience to equip the Committee to fulfil its purpose. The HR Director and Head of HR also attend meetings (except for items relating to them) but are not members.

Board Nominations Committee key responsibilities

Board Composition	• Ensure the Board and its committees have the capabilities required to be effective, including an appropriate range and balance of skills, experience, independence, knowledge and behaviours. • Put in place processes for the recruitment and selection of suitably qualified persons to act as Directors of the Society. • Recommend to the Board as to whether or not Directors should be nominated and supported for re-election. • Review and act upon the results of the annual Board performance evaluation process that relate to the composition of the Board.
Equality Diversity & Inclusion	• Ensure the Board is made up of a diverse mix of individuals to ensure effective decision-making and robust challenge. • Review and approve the Society's policies on and approach to equality, diversity and inclusion.
Succession Planning	• Ensure robust succession plans are in place for Board and executive management roles.

Board Composition

The Board Nominations Committee ensures that collectively, the Board has sufficient breadth and depth of experience to meet the requirements of the business. It uses a skills matrix to inform the overall evaluation of the Board's balance and range of skills, experience, independence, knowledge and behaviours. All Board members undertake an annual self-evaluation against this skills matrix to ensure that any gaps are identified and acted upon, for example through additional training.

The Committee ensures that appropriate arrangements are in place for the recruitment and selection of suitably qualified persons for all Board and executive management roles. There is a formal and rigorous approach to such appointments, with the Board Nominations Committee leading the process and making recommendations to the Board. This ensures that all individuals meet the fitness and propriety standards of the Prudential Regulation Authority and Financial Conduct Authority and that they have the capabilities and experience to discharge their responsibilities under the Senior Managers and Certification Regime. Annual assessments of fitness and propriety standards ensure that Directors and executives continue to have the required capabilities and experience to discharge their responsibilities.

Consideration is given to the length of service of the Board as a whole and membership is refreshed as appropriate. During 2023, the Committee reviewed the Board skills matrix, taking into particular account Non-Executive Director John Leveson's planned departure in April 2024. Of particular focus was that John has significant building society sector experience and that he has been Chair of the Board Remuneration Committee for a number of years. The Committee conducted a rigorous recruitment process to identify a successor for John and succeeded in sourcing a range of credible and suitably qualified candidates without the use of an external search agent on this occasion. This process led to John Gibson being selected. John was co-opted to the Board in January 2024 as an independent Non-Executive Director and will be recommended for election at the Annual General Meeting in April 2024. John Gibson's commencement resulted in the number of Non-Executive Directors on the Board temporarily increasing to 6 until John Leveson leaves in April 2024 when this number will reduce back to 5.

The terms of reference for the Board Remuneration Committee state that the Chair of the committee must have served at least 12 months as a member of a Remuneration Committee prior to becoming Chair. Regulatory approval has been obtained to appoint Jane Kimberlin as the Chair of the Board Remuneration Committee. Jane is the Society's Senior Independent Director and has served as a Non-Executive Director on the Society's Board and Board Remuneration Committee for seven years.

To support the ongoing effective running of the Board Remuneration Committee after John Leveson's departure, Felicity Bambery has also been appointed as a member. Felicity has significant experience of HR practices from her time as People Partner at PricewaterhouseCoopers L.L.P, which will be of benefit to the Remuneration Committee.

Under the Society's Rules, new Directors must stand for election at the Annual General Meeting no later than the financial year after which they were appointed and therefore, as stated above, John Gibson will stand for election at the 2024 Annual General Meeting. The Society has adopted the 'best practice' approach of putting all Non-Executive Directors forward for re-election by members annually, and all existing Non-Executive Directors were duly re-elected in April 2023.

Diversity

The Board recognises the importance of having a diverse mix of people at all levels within the Society, including, but not limited to, their skills, knowledge, experience, education, profession, race, disability, age and gender. Diversity and inclusion are core considerations in both the appointment of Board members and the continuing development of the Board. The Society is a signatory to HM Treasury's Women in Finance Charter and has recently published progress against the associated commitments which are summarised below:

- Designating a member of the senior executive team with responsibility for gender diversity and inclusion. This is Chief Executive, Andrew Healy.
- Achieving a minimum of 45% representation of females by December 2023 across the combined Board of Directors, Executive Committee and Senior Management. The target of 45% was achieved in April 2023 but the level of representation had reduced to 41% by year end due to staff changes which took place in the interim period.

The Society actively engaged during the second half of the year with the FCA's consultation paper CP23/20: Diversity and inclusion in the financial sector – working together to drive change, and the PRA's consultation paper CP18/23: Diversity and inclusion in PRA-regulated firms.

Succession Planning

A key focus of the Committee during the year has been to ensure robust succession plans are in place for the Board and executives. The Financial Reporting Council's guidance to succession planning has been followed in terms of planning across the following different time horizons:

- Contingency Planning – for sudden and unforeseen departures. Who will be ready to take over, even if only in a caretaker/temporary capacity?
- Medium-term Planning – orderly replacements for e.g. retirements. Those individuals who, with development, could be ready in 1-2 years.
- Long-term Planning – the relationship between the delivery of strategy and objectives and the skills needed now and in the future. Those individuals who, with development, could be ready in 3-5 years.

The Committee has reviewed the existing succession plan and is satisfied that it is suitably robust in light of this guidance. The Committee continues to oversee the development of potential internal candidates for Executive Director positions as well as planning for the succession of NED positions and associated Committee Chairmanships in line with anticipated NED term expires.

In particular, as reported in the Chair's Statement, Chief Executive Andrew Healy has indicated to the Board that he wishes to step down from his role during 2024 in order to focus on non-executive director work. The selection process for Andrew's successor has commenced and he will continue to lead the Society until his replacement is appointed.

The Committee is also beginning to plan for succession into the role of Board Chair, in light of the expiry of Rachel Court's term of office in April 2025.

While the current Board Chair is also the Chair of the Board Nominations Committee, it should be noted that she does not chair the latter when it is dealing with the appointment of her successor.

Board Evaluation

The Board undertakes a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. This evaluation encompasses composition, committee structure, dynamics, administration, agenda, development and performance. It is the Board Nominations Committee's responsibility to review the results of the Board performance evaluation process that relate specifically to the composition of the Board. Other aspects of this evaluation process are considered by the Board as a whole.

Through the Board evaluation process, feedback is sought as to whether each Director continues to contribute effectively in their role. This feedback is incorporated into each Director's annual performance appraisal. The performance evaluation of the Chair is conducted by the Non-Executive Directors, led by the Senior Independent Director, and takes into account the views of the Executive Directors.

In line with the UK Corporate Governance Code, the Board's effectiveness is also evaluated periodically by external consultants. The most recent external review was carried out by Deloitte LLP in 2020.

Assessment of Effectiveness

In December 2023, the Board Nominations Committee conducted an internal review of its own effectiveness. This involved collective consideration by Committee members of how effectively the Committee had discharged its responsibilities. This review concluded that the Committee continued to operate effectively during the year.

Rachel Court
Chair of the Board Nominations Committee
29 February 2024

BOARD REMUNERATION COMMITTEE REPORT

The purpose of the Board Remuneration Committee is to consider, review and recommend to the Board the overarching Remuneration Policy for the Society. The Committee has responsibility for determining remuneration for Executive Directors and those members of senior management who comprise the Executive Committee as well as for producing the remuneration framework for all employees of the Society.

Through the Committee, fees payable to the Chair of the Board are set and recommendations are made to the Board for fees paid to other Non-Executive Directors. In carrying out its duties, the Board Remuneration Committee is cognisant of the requirements of the FCA Remuneration Code and the UK Corporate Governance Code.

Membership

Committee Chair: John Leveson
Committee Members: Rachel Court, Jane Kimberlin, Felicity Bambery

Committee composition, skills and experience

The Committee is comprised solely of Non-Executive Directors. The Committee's Chair, John Leveson, has considerable experience in remuneration governance and has over 40 years of experience in a wide range of roles within the building society sector. Prior to his appointment as Chair, John had served on the Committee for 13 months. John is joined on the Committee by Rachel Court, Jane Kimberlin and Felicity Bambery, who bring considerable experience in remuneration and human resources matters. The Chief Executive, HR Director and Head of HR also attend meetings (except for items relating to their remuneration) but are not members. The Committee met five times during 2023.

In advance of John Leveson's planned departure in April 2024, regulatory approval has been obtained to appoint Jane Kimberlin as the Chair of Board Remuneration Committee. Jane is the Society's Senior Independent Director and has served as a Non-Executive Director on the Board and Board Remuneration Committee for seven years. Felicity Bambery joined the Committee as a member in September 2023.

Board Remuneration Committee key responsibilities

Remuneration Policy	• Conduct an annual review of the overarching Remuneration Policy for the Society and recommend this to the Board.
Remuneration	• Determine the remuneration of the Board Chair, all Executive Directors and other members of executive management, including pension rights and any compensation payments. • Approve the salary of the Chief Risk Officer based on a recommendation from the Chair of the Board Risk Committee. • Recommend to the Board Chair and Executive Directors fees for Non-Executive Directors as well as travel and other expenses payable. • Conduct an annual review to determine the remuneration of executives and if executive salaries/remuneration packages warrant being adjusted, taking account of factors such as the Society's financial position, inflation and the economic outlook. • Conduct an annual review to determine if a financial bonus should be paid to staff and/or if staff salaries warrant being adjusted, taking account of factors such as the Society's financial position, inflation and the economic outlook.
Remuneration Reporting	• Report to members annually in the Society's Annual Report & Accounts on the activities of the Board Remuneration Committee and also provide the Directors' Remuneration Report. The latter report will be subject to an advisory vote at the Annual General Meeting.

Remuneration Policy

The Society's Remuneration Policy aims to align remuneration with the delivery of the Society's strategy as set out in its corporate plan in order to promote long-term sustainable success. The Committee reviewed the Remuneration Policy during the year and it was subsequently approved by the Board.

Remuneration

The Committee reviews the remuneration of both Executive Directors and Non-Executive Directors and approves any significant changes to the pay structure of the wider workforce. No Director is involved in reviews or decisions regarding his/her own remuneration. During 2023, the Committee addressed the following key matters:

- Approved a Society-wide salary increase following a detailed review process which gave consideration to Society performance, cost of living pressures and the prevailing economic situation. This resulted in a 5.5% salary increase for all staff, with the exception of executive management who had their remuneration adjusted following a detailed benchmarking exercise.
- Determined that a limited staff bonus scheme would be introduced in 2023, which would recognise the contribution of employees to the Society's performance. It was decided that all staff could receive up to £750 based on their end of year ratings. Executive management were excluded from this scheme and were not eligible to receive any performance related payment.
- Approved a one-off payment of £1,500 for those staff earning salaries at or below £35,000 per year, and £1,000 for staff earning above £35,000 in order to support the impacts of the cost of living crisis. This amount was also paid to the Executive Directors, though the Chief Executive chose to waive his entitlement to this payment.
- Following detailed external benchmarking, approved revised remuneration for the Executive Directors as set out in the separate Directors' Remuneration report. No Director was involved in reviews or decisions regarding his/her own remuneration.
- Following detailed external benchmarking, recommended for approval revised fees for the Non-Executive Directors and approved a revised fee for the Chair as set out in the separate Directors' Remuneration report. No Director was involved in reviews or decisions regarding his/her own remuneration. These fees were increased by 5.5%.
- Following detailed external benchmarking, recommended to increase the fee paid to Non-Executive Directors who do not have the responsibility of chairing any of the Society's Board-level committees from £28,600 to £32,000.
- Following detailed external benchmarking, recommended an increase to the fee for the Senior Independent Director from April 2024 from £35,659 to £39,750 to reflect the additional responsibilities she will assume when she takes on the role of Chair of the Board Remuneration Committee.
- Recommended for approval the updated Non-Executive Directors' Expenses Policy.

All recommendations were approved by the relevant decision-making authorities.

Remuneration Reporting

Page 50 of this Annual Report and Accounts contains the Directors' Remuneration Report for the year ended 31 December 2023. This report includes the key disclosure requirements of the UK Corporate Governance Code and complies with the FCA Remuneration Code. It will be the subject of an advisory vote at this year's Annual General Meeting.

Board Remuneration Committee Effectiveness

In December 2023, the Board Remuneration Committee conducted an internal review of its own effectiveness. This involved collective consideration by Committee members of how effectively the Committee had discharged its responsibilities. This review concluded that the Committee continued to operate effectively during the year.

John Leveson
Chair of the Board Remuneration Committee
29 February 2024

BOARD RISK COMMITTEE REPORT

The purpose of the Board Risk Committee is to consider all risk related matters, in particular, to ensure the Society has an effective risk management framework, has a clearly defined risk culture, an effective control environment and that risk is being managed robustly. The Committee met five times during the financial year. The Committee reports to the Board on its activities and makes recommendations to the Board. The key responsibilities of the Committee are set out below, together with examples of how it discharges these duties.

Membership

Committee Chair: Dave Cheeseman
Committee Members: Jane Kimberlin, Felicity Bambery

Committee composition, skills and experience

The Committee acts independently of the executive and on behalf of the Board to ensure that the interests of members are properly protected in relation to the management of risk. All of the current members of the Committee are independent Non-Executive Directors. The Chair of the Committee, Dave Cheeseman, is a Fellow of the Institute of Actuaries with significant experience in financial services. The Chair of the Society's Board Audit Committee, Felicity Bambery, is also a member of the Board Risk Committee ensuring the two committees work closely together. The Committee as a whole has competence relevant to the financial services sector.

Board Risk Committee key responsibilities

Risk strategy & risk appetite	• Ensure the Society has a clearly defined risk strategy and risk appetite statement that aligns to its purpose, values, and strategic objectives. • Recommend to the Board the design, development and implementation of a risk management framework (RMF) consistent with the risk strategy. • Assess whether the risk strategy and broader RMF clearly defines the approach to managing risk; details the aggregate types and extent of risk the Society is prepared to accept; and translates into a robust risk appetite framework that aids effective management decision making.
Risk culture	• Assess whether the Board's stated risk culture expectations have been appropriately translated into a framework of values and desired behaviours. • Monitor a clearly defined set of metrics and indicators to assess the degree to which the desired risk culture is embedded. • Consider whether executive management's attitude towards the internal control environment and identified remedial activities sets the appropriate tone and is supportive of a healthy risk culture.
Risk information and reporting	• Assess the quality and appropriateness of board-level risk information and reporting, ensuring significant matters are escalated promptly. • Review and recommend to the board for approval all material risk information for regulatory submission or external publication. • Ensure a robust stress testing framework is in place, challenging the severity and reasonableness of scenarios and key assumptions.
Risk management and internal control systems	• Ensure executive management has a sound understanding of the Society's current and emerging risks, how they may impact, both positively and negatively and consider the effectiveness of proposed or actual risk mitigations. • Assess the effectiveness of the organisation's emerging risk identification and horizon scanning processes. • Challenge whether executive management has assessed effectively the risks as well as the potential benefits associated with key strategic initiatives. • Monitor and challenge executive management on the adequacy of operational resilience and business continuity arrangements. • Assess the design, implementation and operation of risk management arrangements. • Ensure the internal control environment continues to operate effectively. • Assess the independence and effectiveness of the risk function. • Ensure that the risk appetite framework is appropriately embedded within management decision-making processes.

Risk strategy & risk appetite

In the first quarter of 2023, the Committee reviewed the Society's risk management framework as part of the regular annual update and recommended a number of enhancements, ensuring that it evolves in line with the Society's strategy. In particular, focus was given to further enhancing the framework for managing Environmental, Social & Governance (ESG) risks, ensuring a more consistent approach to assessing materiality.

Throughout the year, the Committee has closely monitored the deteriorating macro-economic environment and the potential risks to the Society's mortgage portfolio from continued increases in Bank Base Rate and the ongoing cost-of-living crisis. Lending and affordability criteria have been the subject of robust review and challenge to ensure that borrowing members have the capacity to meet any further interest rate and inflationary shocks. There have also been further enhancements to pre-arrears monitoring in order that the Society can better identify members who may be at risk of experiencing financial difficulties and can provide early support.

The Committee has continued to pay close attention to all regulatory change, including the FCA's new Consumer Duty. Having overseen the successful completion of the work required to meet milestone one for new and existing products, it has ensured that momentum has been maintained to deliver milestone two in respect of closed products in advance of the 31 July 2024 deadline.

Risk culture

On an ongoing basis the Committee has assessed the degree to which the required risk culture is embedded. This has been primarily achieved through the monthly monitoring of the Risk Culture Dashboard which sets out performance against a suite of key metrics and indicators. An annual CRO report provides an independent second line opinion regarding embeddedness, further supported by Internal Audit's opinion through their Annual Conclusion.

Risk information and reporting

Each meeting has reviewed the risk MI provided, with management robustly challenged regarding any required actions where the Society has breached, or is at risk of breaching, its risk appetite early warning triggers.

The Board Risk MI Pack is formally reviewed twice each year to ensure that the level of information remains sufficiently comprehensive.

The Society has a Stress Testing Policy to ensure a robust and consistent approach is taken. During the year a wide range of stress and scenario testing has been assessed to support strategic decision making and ensure that the Society continues to maintain a sustainable business model.

Risk management and internal control systems

Each meeting has reviewed and challenged the Society's top and emerging risks, ensuring that management have appropriate actions in place to mitigate these. Further details in respect of key and emerging risks are contained within the Risk Management Report on page 52.

The monitoring of the internal control environment has remained a primary objective of the Board Risk Committee. This has been achieved through the delivery of agreed Risk & Compliance thematic deep dives, semi-annual Risk & Control Self-Assessments (RCSA), attestations by the Principal Risk Owners, ongoing key control testing and monitoring of material risk events. The overall assessment has been that the control environment has continued to operate effectively.

The Committee has also assessed the second line Risk & Compliance function to be operating with the appropriate level of independence. Consideration has been given to the level of resource and skillset within the function against the Society's principal risks.

Assessment of effectiveness

In 2023, the Committee conducted an internal review of its own effectiveness. This involved collective consideration by Committee members of how effectively the Committee had discharged its responsibilities. The assessment was made against internal committee criteria and the requirements of the Committee's terms of reference. This review concluded that the Committee continued to operate effectively.

Dave Cheeseman
Chair of the Board Risk Committee
29 February 2024

DIRECTORS' REMUNERATION REPORT

The purpose of the Directors' Remuneration Report is to provide details of the basic salary, variable pay and benefits earned by Directors. It includes the key disclosure requirements of the UK Corporate Governance Code and complies with the FCA Remuneration Code. The Board is committed to best practice in its Remuneration Policy for Directors and in the interests of transparency, this report will be the subject of an advisory vote at this year's Annual General Meeting.

The Directors' remuneration for the year is as follows:

Individual Directors' Emoluments

	2023					2022				
	Salary/ Fees £000's	Benefits /Other (iii) (iv) £000's	Sub Total £000's	Pensions £000's	Total £000's	Salary/ Fees £000's	Benefits /Other (iii) (iv) £000's	Sub Total £000's	Pensions £000's	Total £000's
Non-Executive Directors (NEDs)										
Rachel Court	55	1	56	-	56	52	1	53	-	53
John Leveson	35	2	37	-	37	34	1	35	-	35
Keith Abercromby (i)	11	2	13	-	13	36	-	36	-	36
Jane Kimberlin	36	1	37	-	37	33	1	34	-	34
Dave Cheeseman	39	1	40	-	40	35	1	36	-	36
Felicity Bambery (from 27/07/22) (ii)	37	-	37	-	37	12	-	12	-	12
Richard Goddard (iii)	-	-	-	-	-	10	-	10	-	10
Executive Directors										
Andrew Healy (iv)	283	18	301	42	343	265	18	283	34	317
Darren Ditchburn (from 30/06/22) (v) (vi)	171	11	182	13	195	82	5	87	6	93
Steve Clarke (from 30/11/22) (v) (vi)	151	10	161	11	172	12	1	13	1	14
Andrew Davies (v) (vi)	155	12	167	23	190	144	10	154	22	176
Robert Broadbent (vii)	-	-	-	-	-	111	11	122	17	139
John Kelly (viii)	-	-	-	-	-	82	3	85	6	91
	973	**58**	**1,031**	**89**	**1,120**	**908**	**52**	**960**	**86**	**1,046**

(i) Keith Abercromby left the Society on 26 April 2023.
(ii) Felicity Bambery commenced as Chair of Board Audit Committee on 1 April 2023 and therefore the increase in the fee for this role noted in the Board Remuneration Committee report applied from this date.
(iii) Richard Goddard left the Society on 31 March 2022.
(iv) Andrew Healy's salary was increased in 2023 following detailed benchmarking by the Remuneration Committee of data from peer organisations. He waived his entitlement to receive the cost of living payment which was given to all staff.
(v) In addition to the cost of living payment, remuneration to executives included in the 'Benefits/Other' column above relates to the provision of a car allowance and private medical insurance.
(vi) Andrew Davies, Steve Clarke and Darren Ditchburn received an increase to their basic salary in 2023 following detailed benchmarking by the Remuneration Committee of data from peer organisations.
(vii) Robert Broadbent left the Society on 5 November 2022.
(viii) John Kelly left the Society on 31 March 2022.

Loans to Directors

A register containing details of loans and transactions between the Society and its Directors, or persons connected with Directors, is available for inspection by members at the Society's principal office in the period of fifteen days prior to the Society's Annual General Meeting on 24 April 2024. The total loans outstanding at 31 December 2023, in respect of 1 person (2022: 1 person) amounted to £159k (2022: £219k).

Chair and Non-Executive Fees

Non-Executive Directors receive fees for the provision of their services, including additional fees for the chairing of the Board and Board committees. They do not have service contracts and do not receive any other benefits, bonus or pension entitlement. Relevant expenses are reimbursed and are included within the 'Benefits/Other' column shown in the above table.

Fees are set to reflect the time commitment and responsibilities of the roles. The fees payable to the Chair of the Board are determined by the Board Remuneration Committee. The Chair of the Board is a member of the Board Remuneration Committee, however she takes no part in the discussion of her own fees and is not present when this matter is decided. The fees and expenses payable to all other Non-Executive Directors, including additional fees for the chairing of committees and acting as Senior Independent Director, are recommended by the Board Remuneration Committee for approval by the Chair of the Board and Executive Directors.

Fees are reviewed annually and if any recommended increase is more than the annual percentage increase payable to all staff, a clear rationale for the additional increase together with supporting market data must be provided. This review also takes into consideration the principles underpinning the annual Society staff salary review. As reported in the Board Remuneration Committee Report, the fees of the Society's Non-Executive Directors were increased during the year.

Executive Directors' Remuneration

The policy for Executive Director remuneration is included in the overarching Remuneration Policy. Executive remuneration is aligned to the Society's purpose and values and is clearly linked to the successful delivery of the Society's long-term strategy. The main elements of each Executive Director's remuneration package are basic salary, pension benefits, private medical insurance and car allowance.

As reported under the Board Remuneration Committee Report, the salaries of the Chief Executive, Deputy Chief Executive, Finance Director, Director of Lending, HR Director and Chief Risk Officer were increased in 2023.

No bonus scheme operated for executives in 2023. However, taking account of the exceptional impacts of the cost of living crisis, the Committee approved a one-off payment to all staff. The Executive Directors were paid £1,000, though the Chief Executive chose to waive his entitlement to this payment.

Of the Executive Directors' remuneration packages, only basic salary is pensionable. As at 31 December 2023, the Chief Executive, Deputy Chief Executive, Finance Director and Chief Risk Officer are members of the Society's defined contribution pension scheme.

The Corporate Governance Code recommends that an Executive Director's notice period should be one year or less. All Executive Directors have a service contract with the Society which is terminable by either party giving six months' notice.

Reward and Incentives

The Society's remuneration schemes and policies enable the Board Remuneration Committee to override formulaic outcomes to any element of performance-related pay. However, as was the case in 2022, no formulaic schemes were in place during 2023. The Board Remuneration Committee did not appoint any external consultants during 2023.

John Leveson
Chair of the Board Remuneration Committee
29 February 2024

RISK MANAGEMENT REPORT

The purpose of this report is to:

- Explain the Society's Risk Management Framework;
- Highlight our risk governance arrangements; and
- Set out the principal risks and uncertainties with respect to the achievement of the Society's strategic objectives, together with our mitigating activities.

Risk Management Framework

Leek Building Society has a well-established and embedded Risk Management Framework (RMF) that sets out the required approach to managing risk. Its aim is to ensure that there is a strong, robust risk management methodology and culture applied across the entire business. The key aspects of the RMF are:

- Risk Strategy – a clear articulation of the Society's risk management objectives and how it intends to achieve these. This includes defining the required 'tone from the top' and the desired risk culture.
- Risk Appetite Statements – these provide guidance with regard to the level of risk the Society is willing to take and are supported with quantifiable metrics.
- Risk Policies – individual documents that set out clear requirements for identifying, assessing, managing, monitoring and reporting risk.
- Business Area Controls & Operational Procedures – documented controls and procedures that ensure the requirements of the individual policies are embedded into day-to-day activities.
- Three Lines of Defence – a best practice model defining clear roles and responsibilities for the management of risk which is illustrated below.

FIRST/ MANAGEMENT LINE	SECOND/ OVERSIGHT LINE	THIRD/ ASSURANCE LINE
BUSINESS	**RISK MANAGEMENT**	**INTERNAL AUDIT**
• Overall Accountability and Ownership for risk management • Implementation of Risk Management Framework • Establish strong risk management culture • Promote strong risk management culture • Set Risk Appetites	• Design Risk Management Framework • Develop processes for implementation of, and monitoring of adherence to, the framework • Promote strong risk management culture • Challenge and Oversight	• Independent review of the design and implementation of Risk Management Framework

Risk Governance

Robust governance arrangements are fundamental to the effective management of risk. The Society's Board has ultimate responsibility for the effective management of risk and approves the RMF, risk appetites and governance arrangements. It is advised on risk related matters by the Board Risk Committee (BRC), a formal sub-committee of the Board. The BRC has explicit terms of reference and its membership is comprised solely of Non-Executive directors, with meetings routinely attended by executive and senior management. The key responsibilities and activities are set out in the Board Risk Committee report on page 48.

Full details of the Society's governance arrangements are captured in the Corporate Governance Report on page 34.

Principal Risks and Uncertainties Responsibility

The principal business of the Society is the production and distribution of financial products and, in particular, mortgages and deposit-based savings accounts. Regulated investment and home insurance products are supplied by trusted third parties, with the Society acting purely as an introducer. Wholesale financial instruments are used in the management of the balance sheet, with surplus liquidity invested and wholesale funding raised if necessary, though the latter is rarely required. Derivative financial instruments are solely used to manage and mitigate interest rate risk and not for trading activity or speculative purposes.

The principal risks, their controls and the Board's appetite statements are set out in the table below.

	Principal Risk	Mitigants	Risk Appetite
Retail Credit	The risk of losses arising from a retail mortgage debtor's failure to meet their legal and contractual obligations. Potentially arising from mortgage customers falling into arrears or insufficient security value.	The Society operates within appropriate policies and risk appetites, with the performance of the mortgage portfolio monitored closely. Proactive monitoring of arrears and pre-arrears triggers ensures that timely action is taken, supporting the containment of risk. Our prudent lending policy means our mortgage book is of a high quality. Each application is individually underwritten to ensure that loans are affordable. This is evidenced by our low level of arrears.	We adopt a prudent approach to our mortgage lending so that default rates are low and do not adversely impact earnings or capital.
Wholesale Credit	The risk of losses due to a wholesale Treasury counterparty being unable to meet their legal and contractual obligations. The Society's exposure to wholesale credit risk results from investments in financial instruments, used to manage its liquidity portfolio, and from transactions to hedge its interest rate risk.	The Society's Treasury Policy Statement and operational limits set out the criteria and boundaries within which wholesale lending can be undertaken. Each counterparty is required to meet strict external ratings thresholds as well as satisfying internal assessments that consider balance sheet strength, reputational issues and the results of regulatory stress tests. The risk from hedging transactions is mitigated by the placing and receiving of cash collateral equal to the exposure.	We will adopt a prudent approach to lending to wholesale counterparties which will ensure that default rates are low and there is no impact on earnings or capital.
Strategic and Capital	The risk that the strategic direction of the Society and decisions made, result in financial loss and have a detrimental impact on capital resources.	The Society has an established corporate planning process, which is subject to rigorous challenge and sets the overall direction for the Society. This is supported by regular stress testing and by conducting an Internal Capital Adequacy Assessment Process (ICAAP) at least annually to assess the Society's current and projected capital requirements. This demonstrates to the Board and regulators that the Society has sufficient capital for its business plans and the level of risk being taken. The Non-Executive Directors provide a robust level of challenge over Executive proposals.	We will ensure that the strategic direction delivers a sufficient return that enables us to deliver capital which provides long term growth as well as financial stability for our members.
Market	The risk of losses arising from changes in market rates or prices. The main exposure for the Society is interest rate risk resulting from funding fixed rate mortgages with variable rate savings products. Additionally, the Society is exposed to basis risk whereby the interest rate on assets and liabilities with similar re-pricing periods move by varying degrees, e.g. assets linked to industry benchmarks funded by variable savings products.	The Society has limited appetite for market risk but acknowledges that, as a mortgage lender, it is not possible or practical to eliminate all risk. To restrict market risk as much as possible the Society has set clearly defined limits within which risk must be managed. These are closely monitored and reported to senior management and the Board on a monthly basis. Interest rate risk is managed by utilising natural hedging opportunities that occur within the balance sheet or entering hedging transactions with external counterparties.	We will manage our interest rate and basis risk positions to ensure that losses due to adverse movements in market rates do not impact significantly over and above our forecasted market expectations.

RISK MANAGEMENT REPORT
(CONTINUED)

	Principal Risk	Mitigants	Risk Appetite
Liquidity and Funding	The risk that the Society is unable to meet its financial obligations as they become due and, as a consequence, is unable to support normal business activity and fails to meet regulatory liquidity requirements. There is potential risk to the level of liquidity from an extreme scenario of depositors withdrawing their funds.	The Society's Board has set strict limits in respect of liquidity, which exceed regulatory requirements. These, along with key early warning indicators, are monitored on a daily basis in order to highlight potential issues and allow timely management action. Stress testing of severe, but plausible, scenarios is undertaken on a regular basis. This ensures that we remain prepared and have appropriate contingency measures in place.	We will maintain sufficient liquid resources, over and above the financial minimum, that gives our members confidence that we have the ability to meet our financial obligations as they fall due. The Society will maintain sufficient retail deposits to fully support and fund retail lending at all times. The Society will additionally utilise wholesale or central bank funding when appropriate to support Treasury or liquidity holdings but will ensure that wholesale funding is managed such that an appropriate balance of funding from retail and wholesale sources is maintained.
Conduct	The risk of financial loss or reputational damage from not putting the customer's interest at the very heart of the business resulting in poor outcomes or detriment for our members. This can manifest itself through confusing or misleading literature or unnecessarily restrictive or penal product terms and conditions.	The Society, being a member owned organisation, is committed to upholding the highest standards and treating all members & customers fairly. The Board has set out a clear set of values that drives a culture and behaviours that puts the customer first. The Conduct & Product Forum oversees the design and delivery of products and services to ensure they meet the needs of the individual and result in good customer outcomes.	We will ensure that we put our customers at the heart of our business to deliver good customer outcomes.
Pension	The risk that the value of the assets in the Society's defined benefit scheme are insufficient to meet its long-term obligations. The possibility that the Society will have to pay more into the scheme due to changes in mortality rates, asset values and yield prices.	The defined benefit pension scheme is closed to further accrual. The Society works closely with the pension trustees to identify de-risking opportunities as conditions allow.	We will ensure that we can meet our contractual and regulatory requirements so that we can meet our existing and future liabilities.
Operational	This is the risk of a loss or reputational damage resulting from inadequate or failed internal processes, people and systems or from external events.	The Society manages these risks as an integral part of its operations, utilising controls, such as the Risk & Control Self-Assessment tool and Risk Registers. Given the broad nature of operational risk, consideration has been given to each aspect of the risk. Those identified as particularly applicable to the Society are documented in the table below.	We will maintain efficient operational processes and controls to ensure that we can optimise our resources and reduce the impact of operational risks on the Society's performance and reputation. We will be proactive in our ability to respond to and recover from operational disruption.

Further risks designated as a sub-set of operational risks are as follows:

	Principal Risk	Mitigants	Risk Appetite
Financial Crime	The risk of loss resulting from criminal activity relating to fraud or dishonesty, the handling of the proceeds of crime, or the financing of terrorism.	The Society operates a wide range of controls, both within our customer facing areas and within the Customer Service Centre to mitigate financial crime. It is also committed to working closely with crime prevention authorities and supporting all initiatives that protect the Society and its members.	Financial crime is unethical and unacceptable. Leek Building Society has no risk appetite for facilitating financial crime and is committed to taking timely, proper and reasonable actions in order to minimise, manage and control financial crime risk.
Model and EUC	The risk that models and spreadsheets used in decision-making are not fit for purpose. This could be due to flawed assumptions or calculations or a breach of model integrity.	The Society uses a range of models and complex spreadsheets to derive management information with appropriate access controls implemented and procedural documentation available for the most significant of these. Internal policy clearly articulates standards in respect of the development, implementation and regular validation of models. These standards align to the PRA's principles as set out in Supervisory Statement 3/18.	The Society has no appetite for any severe or high impact models or EUCs not meeting the validation standards set out in Policy. It also has no appetite for any models or EUCs with significant identified errors or deficiencies being used without the prior authorisation of the Board Risk Committee. The Society has no appetite for operating any severe or high impact models or EUCs where there is an identified single point of dependency.
Financial & Regulatory Reporting	The risk that financial reporting internally, to members, to financial markets or to the Society's regulators is inaccurate, misleading or late.	The Society has a detailed schedule which stipulates all of the regulatory returns that need to be submitted during the year. The use of interpretation documents which clearly set out any assumptions or judgements used in the production of returns further supports the robustness of reporting. All returns are subject to approval by an independent reviewer prior to final submission to the regulator meaning that appropriate checks are performed to ensure accuracy.	We will operate robust systems and controls to ensure that financial reporting is timely and accurate.
Regulatory and Legal	The risk of fines, public censure, limitation on business, or restitution costs arising from failing to understand, interpret, implement and comply with regulatory and legal requirements.	The Society, as a mutual organisation, is committed to fulfilling all its regulatory, legal and social obligations. A robust process to monitor all regulatory change is in place, with regular updates provided to senior management and Board committees. The Three Lines of Defence model also provides oversight, challenge and independent assurance.	The Society's aim is to be compliant with all relevant UK and EU regulatory requirements, and to adhere to all legislative and statutory obligations.
Product Governance	Failure of systems and controls relating to product design, management, distribution strategies, sales processes, quality and suitability of sales.	The Society has a Conduct & Product Forum which governs the development and launch of new/amended products. It also ensures the delivery of products and services results in good customer outcomes.	All Society products will be designed, approved and launched using appropriate robust governance arrangements.
Information Technology	The risk that the Society or its members suffer financial loss or detriment due to inadequate management or controls of information security, physical security of IT assets, IT maintenance or delivery of IT applications and services.	The Society has robust mechanisms to ensure that IT operates effectively to deliver business performance. IT controls are subject to a quarterly attestation process that is independently challenged by the second line of defence and from regular reviews by Internal Audit.	We will maintain robust processes and controls to ensure that Society systems continue to deliver critical business activities and that security measures are appropriate to safeguard assets.
Information Security & Data Governance	The risk that the Society does not meet both regulatory standards and its own requirements for ensuring the accuracy, integrity and security of confidential data relating to customers, staff, suppliers or the Society's business activities and performance.	The Society is committed to protecting its members' personal data. Comprehensive processes and procedures are in place that are fully aligned with General Data Protection Regulation (GDPR) and the Data Protection Act (DPA) 2018. This includes the requirement to provide all staff with comprehensive training on a regular basis and ensuring the rights and freedoms, in relation to data protection, of our members' remains at the fore.	We will maintain robust systems and controls to adhere to data protection legislation as it relates to UK financial services businesses and thus prevent legal action regarding non-compliance. The Society will proactively manage and secure all information assets.
People	The risk that the Society does not recruit, engage, manage, reward and develop its people in such a way that delivers the organisation's core values, and supports the delivery of current and future business strategy.	The Society recognises that in order to meet the needs of members it requires a skilled and motivated work force. To achieve this, detailed recruitment and selection processes are in place along with competitive remuneration packages. Having attracted the right individuals, there is a focus on training and development as a retention tool. A detailed succession plan is in place for all key roles to address potential vacancies over the short, medium and long term.	We will engage with and manage all members of staff in a way that will support the delivery of the objectives set out in the Corporate Plan.
Third-Party Supplier & Outsourcing Risk	The risk of financial loss, regulatory fines, reputational damage or adverse operational impact due to the failure of a material supplier, including an outsourcing partner, to fulfil its contract.	The Society has detailed policies in respect of Third-Party Supplier Outsourcing risk which set out the way in which third parties are to be managed. Material third parties are subject to regular due diligence.	We will manage our third-party supplier and outsourcing relationships to comply with our policy and procurement procedures to ensure that they meet the Society's commercial needs and comply with the relevant regulatory requirements.
Change Management	Risk of ineffective and inefficient implementation of change within the Society which could lead to financial loss, failure to meet legal and regulatory requirements or customer service standards.	The Society's Change Programme Steering Committee, chaired by the CEO, provides robust governance over the change agenda. All projects are monitored through to completion and reviews undertaken after they have been completed.	We will manage all change projects in a structured and consistent manner to ensure that the defined benefits are realised.
Business Continuity	The risk that the Society is unable to operate business critical processes and provide business critical services in the event of an unplanned disruption to business as usual operations.	The Society has a Business Continuity Plan that is reviewed and updated annually. Tests are performed to ensure that if the plan needed to be invoked the Society would be able to operate effectively and meet customer needs. The robustness of this plan was evidenced by the ability to operate through the Covid-19 pandemic.	We will operate systems and controls to ensure that critical operations are supported in the event of unplanned disruption.

RISK MANAGEMENT REPORT

(CONTINUED)

Other Material Risks

In addition to the principal risks detailed above, the Society is also exposed to other potential risks and uncertainties which may be temporary, emerging or not yet sufficiently developed to incorporate into the primary Risk Management Framework. These are set out below:

Risk	Mitigants
Climate Change The financial services industry, including regulators, continues to develop its understanding of the risks posed by climate change. The Society has identified potential exposure to both *physical risks* and *transition risks* in respect of climate change. *Physical risks* reflect the impact of climate and weather related changes on the Society, including: • Flooding, subsidence or erosion negatively impacting the value of property taken as security; • Increased cost of insurance and household repairs impacts members' ability to service their mortgage; • Impact on services, systems and processes due to the Society's property estate being impacted e.g. by flooding; and • Third-party suppliers being unable to provide required services. *Transition risks* reflect the potential impact from the process of moving to a carbon neutral economy, including: • Changes in government policy, technological and consumer sentiment giving rise to a reassessment of the value of property taken as security or the Society's own property estate; • Transition to a greener economy resulting in higher energy costs and impacting borrower affordability; • Reputational impact of the Society's carbon footprint reducing member attraction and retention; and • Impact on third-party suppliers resulting in increased supply chain costs.	• The Society has appointed the Finance Director to lead the work on climate change and its impact on the Society. • The requirements of the PRA's SS3/19, 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change', have been implemented. • The Society has more clearly defined its Environmental, Social & Governance (ESG) strategy, see page 22. • Climate change risk has been integrated into Risk Management Framework (RMF), supporting its appropriate identification, management, monitoring and reporting. • The Society's annual ICAAP continues to capture the financial impacts of climate change, underpinned by appropriate stress testing. • The Society closely monitors the regulatory and political landscape to assess the impacts of any changes. • Full consideration has been given to the Society's own carbon footprint and it has made a commitment to be carbon neutral by 2050.
Affordability Risk Over the last two years, increasing wholesale energy costs and wider inflation increases have resulted in a cost-of-living crisis. This, combined with increasing mortgage interest rates, has put pressure on borrowing members' finances and their ability to maintain their regular mortgage payments. While the Society has not yet seen this risk crystalise in the form of a marked increase in arrears, there remains the risk that this could still materialise in 2024.	• The Society's prudent mortgage underwriting ensures affordability is appropriately stress tested. • Detailed analysis of the mortgage portfolio is undertaken to assess the capacity for maturing cohorts to absorb increased refinancing costs. • Ongoing monitoring of key pre-arrears indicators has allowed the Society to identify those borrowers most at risk of default. This has been supplemented with credit reference agency data to provide a broader perspective of our borrowers' financial position. • Proactive contact strategy towards those members at potential risk of default to provide early support and to signpost debt advice services.

The Board continuously reviews the activities of the Society to ensure they are in accordance with its risk appetite.

Dave Cheeseman
Chair of the Board Risk Committee
29 February 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following Statement, which should be read in conjunction with the Independent Auditor's Report on pages 58 to 64, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement, Strategic Report and Directors' Report.

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Group and Society financial statements for each financial year. Under that law, they have elected to prepare these statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 which is the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Group and Society financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the Society as at the end of the financial year and of the income and expenditure of the Group and of the Society for the financial year.

In preparing each of the Group and Society financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

In addition to the financial statements, the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Group.

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Group:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Society, in accordance with the Act;
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Rachel Court
Chair
29 February 2024

Independent auditors' report to the members of Leek United Building Society

Report on the audit of the annual accounts

Opinion

In our opinion, Leek United Building Society's Group annual accounts and Society annual accounts (the "annual accounts"):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2023 and of the Group's and the Society's income and expenditure and the Group's and the Society's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the annual accounts, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Society statements of financial position as at 31 December 2023; the Group and Society income statements and statements of comprehensive income, the Group and Society statements of cash flows, and the Group and Society statements of changes in members' interest for the year then ended; and the notes to the annual accounts, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, which includes the FRC's Ethical Standard applicable to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in the note 6 to the annual accounts, we have provided no non-audit services to the Group in the period from 1 January 2023 to 31 December 2023.

Our audit approach

Context

This is our initial audit for the Group and Society following our appointment by the members at the Annual General Meeting on 26 April 2023.

Overview

Materiality	• £800k - Group annual accounts • *Based on 1% of Net Assets* • £760k - *Society annual accounts* • *Based on 1% of Net Assets*
Scoping	• We conducted our audit using an audit team from Manchester; and • We perform audit procedures over all material account balances and financial information of the Society. Subsidiary companies are insignificant in the context of the Group audit.
Key audit matters	• The application of hedge accounting in accordance with accounting standards (Group and Society); • Impairment of loans and advances to customers (Group and Society); and • the appropriateness of assumptions used to measure defined benefit pension obligations (Group and Society).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the annual accounts. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the annual accounts section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group/industry, we identified that the principal risks of non-compliance with laws and regulations related to related to breaches of UK regulatory principles such as those governed by the Prudential Regulation Authority ('PRA'), Financial Conduct Authority ('FCA') and UK tax law, and we considered the extent to which non-compliance might have a material effect on the annual accounts. We also considered those laws and regulations that have a direct impact on the annual accounts such as the Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the annual accounts (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries that could be used to manipulate financial performance and management bias in accounting estimates. Audit procedures performed included:

- Review of correspondence with the FCA and PRA;
- Testing of significant accounting estimates (See key audit matters below);
- Testing of journal entries which contained unusual account combinations and other specific risk-based criteria back to corroborating evidence;
- Discussions with management in relation to known or suspected incidents of non-compliance with laws and regulations and fraud; and
- Review of internal audit reports in so far as they related to the annual accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the annual accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

The application of hedge accounting in accordance with accounting standards is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	*How our audit addressed the key audit matter*
The application of hedge accounting in accordance with accounting standards (Group and Society) The Group and Society has designated hedge accounting relationships linked to the Group and Society's mitigation of interest rate risk. The Group and Society is exposed to interest rate risk as a result of the mismatch between fixed and floating rate cash flows due to entering into fixed interest income mortgage contracts and fixed interest expense savings contracts with its customers. The risk of future movements in market rates of interest affecting the profitability of the Group and Society is	We understood the nature of the hedge accounting relationships designated by management in the context of the risk management strategy. We obtained and reviewed the hedge accounting documentation to evaluate and assess whether the Group and Society's hedging programme was compliant with the requirements of accounting standards. We independently re-performed a sample of hedge effectiveness tests performed by management during the year. We re-performed both a sample of prospective and retrospective effectiveness tests.

Key audit matter	*How our audit addressed the key audit matter*
mitigated by using derivative financial instruments in the form of interest rate swap contracts. These are designated in hedge accounting relationships so that the underlying hedged items are recorded at fair value, as long as the Group and Society can demonstrate that the hedge accounting arrangements are effective in accordance with accounting standards. At 31 December 2023 the fair value of all mortgage asset hedged items in designated hedging relationships was £12,314,000 (2022: £28,979,000) less than their carrying value and the fair value of savings liability hedged items in designated hedging relationships was £1,305,000 more than (2022: £100,000 less than) their carrying value. Management of interest rate risk using derivatives in the year also gave rise to a loss of £2,303,000 being recognised in the income statement (2022: gain of £4,566,000). We focussed our work on the manual adjustments that are required to be posted to system outputs to achieve compliance with accounting standards. We focussed our work on this area as the hedge accounting rules are complex and the nature of manual adjustments required can give rise to an increased risk of error application. The Group and Society's disclosures are given in Note 5. Management's associated accounting policies are detailed in Note 1. The Audit Committees' consideration of the matter is set out in the Board Audit Committee Report.	We re-performed the valuation of a sample of derivatives and underlying hedged items using valuation specialists where appropriate. We assessed the completeness and accuracy of the mortgage, deposit and swap data flowing into hedging calculations. We tested the completeness and accuracy of income statement ineffectiveness recorded in the income statement in the year and challenged management on the completeness of manual adjustments made to achieve compliance with accounting standards. We reconciled the output of hedging calculations to the general ledger to ensure that the amounts recorded in the annual accounts are accurate. We tested the disclosures in respect of hedge accounting and confirmed that they were compliant with accounting standards. From the evidence we obtained we found that the hedge accounting methodology was compliant with accounting standards and the underlying hedging calculations were accurate and valid.
Impairment of loans and advances to customers (Group and Society) The Group and Society held £505,000 of loan loss reserves (2022: £505,000) against total loans and advances to customers of £996,105,000 (2022: £916,392,000). The determination of loan loss reserves is inherently judgemental and involves setting assumptions relating to the likelihood of borrower default based on past events and the value of collateral realisation. The Group and Society has limited experience of loan losses which gives rise to increased estimation uncertainty. Furthermore, there is uncertainty in calculating loan loss reserves due to the potential impacts on customer behaviour due to ongoing heightened interest rates and other headwinds facing the UK economy. The Group and Society has incorporated post model adjustments of £121,000 (2022: £302,000) to capture risks not taken into account in core models such as anticipated downwards pressure on house price valuations. Our work focussed on these post model adjustments as well as focussing on the risk of understatement of loan loss reserves due to the small size of the reserves held relative to the size of total loans and advances to customers. The Group and Society's disclosures are given in Note 13. Management's associated accounting policies are detailed in Note 1. The Audit Committees' consideration of the matter is set out in the Board Audit Committee Report.	We understood and critically assessed the methodology applied in loan loss models, including post model adjustments and considered whether they were compliant with accounting standards. We examined the historical loss experience of the Group and Society and read credit risk management information produced by management during the year to inform our views about the credit environment which the Group and Society's borrowers face. We challenged management's assumptions relating to default probabilities and collateral value haircuts. We challenged management on the reasonableness of significant assumptions used in post model adjustments, particularly those related to future house price reductions. We tested the accuracy and completeness of data being used in loan loss models. We also challenged management on the complete identification of customer accounts that may have suffered an impairment event. We performed sample testing to obtain evidence over the valuation of mortgage collateral and customer account repayment history to assess whether there is any evidence of understatement of loss reserves. We evaluated the adequacy of the disclosure of estimation uncertainty relating to impairment of loans and advances to customers. From the evidence we obtained we concluded that the calculation of the impairment provision is reasonable and compliant with the requirements of accounting standards.
The appropriateness of assumptions used to measure defined benefit pension obligations (Group and Society) The Group and Society operates a defined benefit pension scheme for retirement of benefits of former members of staff. The present value of the scheme was in a deficit position of £2,771,000 at 31 December 2023 (2022: deficit of £2,781,000). This is made up of assets carried at	We independently assessed, using our actuarial experts, the discount rate, mortality rates and other demographic and financial assumptions and compared them to external market rates at 31 December 2023 for schemes of a similar duration and to management's estimates derived by their experts. We confirmed our understanding of the Group's third-party actuary's methodology used in determining the valuation of the defined benefit pension obligation. We

Key audit matter	*How our audit addressed the key audit matter*
fair value of £22,963,000 (2022: £22,824,000) and obligations of £25,734,000 (2022: £25,605,000). The present value of the scheme obligation is materially sensitive to a number of actuarial assumptions including the discount rate and mortality rates. Changes in these assumptions can have a significant impact on the valuation of scheme obligations. Management performs a review of the valuation methodology for accounting purposes each year using third party actuaries. The assumptions are updated to reflect changing market practice and management's future outlook. We focussed on this area because of the inherently judgemental nature of setting assumptions relevant to the valuation of scheme obligations. The Group and Society's disclosures are given in Note 24. Management's associated accounting policies are disclosed in Note 1. The Audit Committees' consideration of the matter is set out in the Board Audit Committee Report.	tested samples of census data of scheme membership data back to source documents and found the data to be appropriate. We considered the independence, objectivity and competence of the third-party actuaries engaged by management to perform their valuation. We engaged our actuarial experts to evaluate the judgements and estimates made by management in determining the key financial and mortality assumptions used in calculating the defined benefit obligation. We reviewed the Group's third-party actuarial report and obtained an understanding of how key assumptions are set and the methodologies adopted in calculating the defined benefit obligation. We assessed the reasonableness of the assumptions and methodologies adopted using our knowledge of current market practice, our own developed benchmarks and external market data. We evaluated the disclosures made in the annual accounts, including the disclosures of actuarial assumptions used and found them to be appropriate. Based on the evidence we obtained, we found the assumptions and methodologies used in the valuation of the defined benefit pension obligations to be within a reasonable range.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the annual accounts as a whole, taking into account the structure of the Group and the Society, the accounting processes and controls, and the industry in which they operate.

All the Group's activities take place in the United Kingdom. The principal activity of the Society is the provision of savings products to individuals to fund secured mortgage lending on residential property to support home ownership. All of the Group and Society's mortgage book is secured on UK residential owner-occupied and buy-to-let property.

The Group is formed of the Society, and a subsidiary company called Leek United Home Loans Limited, which is not material in the context of the Group annual accounts. The accounting records and functions for all entities within the Group are located at the Society's offices in Leek.

Audit procedures were performed over all material account balances and financial information of the Society by an audit team from Manchester. The audit procedures performed provided us with sufficient audit evidence as a basis for our opinion on the annual accounts as a whole.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group and Society's financial statements and support the disclosures made in relation to climate change in the Annual Report & Accounts.

In addition to enquiries with management, we also:

- Read the Group and Society's documented Climate Change Risk Assessment and considered whether it was consistent with information obtained during the audit;
- Considered the exposure of the Group and Society's mortgage portfolio to physical and transition risks by examining the output of assessments performed by management during the year; and
- Considered the consistency of the disclosures in relation to climate change within the Annual Report & Accounts with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2023.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the annual accounts as a whole.

Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

	Group annual accounts	Society annual accounts
Overall materiality	£800k	£760k
How we determined it	1% of Net Assets.	1% of Net Assets.
Rationale for benchmark applied	The Group's and Society's principal activity is to provide residential mortgage loans financed by retail savings products. The strategy is not one purely of profit maximisation but to provide a secure place for customer savings in a mutual environment. The soundness of the Society is based on its regulatory capital, which is closely aligned to accounting net assets. As such we consider a benchmark based on net assets to be appropriate.	

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 50% of overall materiality, amounting to £400k for the Group financial statements and £380k for the Society materiality.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £40k for the Group and £38k for the Society as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Society's ability to continue to adopt the going concern basis of accounting included:

- A risk assessment to identify critical factors that could impact the going concern basis of preparation, including the current and forecast financial performance and regulatory metrics. As part of our risk assessment we reviewed and considered the Group and Society's strategic plan, ICAAP and ILAAP, regulatory correspondence and management reports provided to key governance forums.
- Evaluating the reasonableness of the Group and Society's strategic plan, including evaluating the reasonableness of key scenarios and performing sensitivity analysis using our understanding of the Group and Society and its financial performance obtained during the course of our audit. We also considered management's ability to accurately forecast financial performance by comparing past forecasts to actual results;
- Critically evaluating the directors' conclusions in their own going concern assessment. This included the impact of stress testing results. We considered whether the Group and Society would continue to operate above required regulatory capital and liquidity minima during times of stress; and
- Evaluating management's disclosures in the Annual Report and checking the consistency of the disclosures with our knowledge of the Group and Society based on our audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Society's ability to continue as a going concern for a period of at least twelve months from the date on which the annual accounts are authorised for issue.

In auditing the annual accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the annual accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and Society's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the annual accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Annual Business Statement and Directors' Report we also considered whether the disclosures required by the Building Societies Act 1986 have been included.

Based on our work undertaken in the course of the audit, the Building Societies Act 1986 requires us also to report certain opinions and matters as described below.

Annual Business Statement and Directors' Report

In our opinion, based on our work undertaken in the course of the audit:

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' Report for the year ended 31 December 2023 is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In light of the knowledge and understanding of the Group and Society and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the annual accounts and the audit

Responsibilities of the directors for the annual accounts

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the annual accounts is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Building Societies Act 1986 exception reporting

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 26 April 2023 to audit the annual accounts for the year ended 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 31 December 2023.

David Ashworth (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 February 2024

Income Statements for the year ended 31 December 2023

	Notes	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Interest receivable and similar income	2	57,844	27,899	57,842	27,897
Interest payable and similar charges	3	(36,663)	(10,082)	(36,663)	(10,082)
Net interest receivable		21,181	17,817	21,179	17,815
Fees and commissions receivable	4	283	406	283	406
Fees and commissions payable		(353)	(380)	(353)	(380)
Net (loss)/gains from derivative financial instruments	5	(2,303)	4,566	(2,303)	4,566
Total net income		18,808	22,409	18,806	22,407
Administrative expenses	6	(13,704)	(12,416)	(13,694)	(12,398)
Depreciation and amortisation	15	(881)	(471)	(881)	(471)
Operating profit before impairment and other provisions		4,223	9,522	4,231	9,538
Net finance change on pension scheme	24	(127)	20	(127)	20
Impairment credit on loans and advances to customers	7	1	52	1	52
Profit before tax		4.097	9,594	4,105	9,610
Taxation on profit	8	(1,009)	(1,860)	(1,009)	(1,860)
Profit for the financial year	26	**3,088**	**7,734**	**3,096**	**7,750**

The notes on pages 71 to 97 form part of these accounts.

Statements of Comprehensive Income for the year ended 31 December 2023

	Notes	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
			Restated*		Restated*
Profit for the financial year		3,088	7,734	3,096	7,750
Items that will not be reclassified to the Income Statement					
Actuarial loss recognised in pension scheme	24	(321)	(3,920)	(321)	(3,920)
Taxation on items that will not be reclassified to the Income Statement	16	80	980	80	980
Items that may subsequently be reclassified to the Income Statement					
Available for sale reserve	28	484	(377)	484	(377)
Tax on revaluation reserve from changes in land and buildings	27	4	4	4	4
Other comprehensive income/(expense) for the year net of income tax		247	(3,313)	247	(3,313)
Total comprehensive income for the financial year		**3,335**	**4,421**	**3,343**	**4,437**

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24.

The notes on pages 71 to 97 form part of these accounts.

Statements of Financial Position as at 31 December 2023

	Notes	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
			Restated*		Restated*
ASSETS					
Liquid assets:					
Cash in hand and balances with the Bank of England	9	178,027	152,769*	178,027	152,769*
Loans and advances to credit institutions	10	10,703	10,403	10,670	10,347
Debt securities	11	109,458	143,544	109,458	143,544
		298,188	306,716	298,155	306,660
Derivative financial instruments	12	20,698	35,306	20,698	35,306
Loans and advances to customers	13	984,485	888,085	984,462	888,061
Investments in subsidiary undertakings	14	-	-	-	1
Tangible fixed assets	15	4,111	3,443	4,111	3,443
Intangible fixed assets	15	2,092	1,740	2,092	1,740
Other assets	16	1,511	1,209*	1,512	1,223*
Other assets – deferred taxation	16	31	119*	31	119*
Prepayments and accrued income	17	618	907	618	907
Accrued Interest on Derivatives	22	2,165	943	2,165	943
Total assets		**1,313,899**	**1,238,468**	**1,313,844**	**1,238,403**

	Notes	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
LIABILITIES					
Shares	18	1,089,115	999,470	1,089,115	999,470
Amounts owed to credit institutions	19	128,993	144,398	128,993	144,398
Amounts owed to other customers	20	7,555	11,633	7,555	11,633
Derivative financial instruments	12	4,195	1,241	4,195	1,241
Other liabilities	21	703	1,900*	704	1,908*
Accruals and deferred income	22	811	740	802	722
Accrued Interest on Derivatives	22	116	-	116	-
Retirement benefit obligations	24	2,771	2,781*	2,771	2,781*
Total liabilities		**1,234,259**	**1,162,163**	**1,234,251**	**1,162,153**
RESERVES					
General reserve	26	78,510	75,663*	78,463	75,608*
Revaluation reserve	27	992	988	992	988
Available for sale reserve	28	138	(346)	138	(346)
Total reserves attributable to members of the Society		79,640	76,305	79,593	76,250
Total reserves and liabilities		**1,313,899**	**1,238,468**	**1,313,844**	**1,238,403**

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24 and the reclassification of restricted cash held with the Bank of England to other assets as detailed in note 9.

The notes on pages 71 to 97 form part of these accounts.

These accounts were approved by the Board of Directors on 29 February 2024 and were signed on its behalf by:

Rachel Court
Chair

Andrew Healy
Chief Executive

Steve Clarke
Finance Director

Statements of Changes in Members' Interest as at 31 December 2023

Group for year ending 31 December 2023	Notes	General reserve £000's	Revaluation reserve £000's	Available for sale reserve £000's	Total reserves attributable to members of the Group £000's
Balance as at 1 January 2023 as restated		**75,663**	**988**	**(346)**	**76,305**
Profit for the financial year		3,088	-	-	3,088
Other comprehensive (expense)/income for the year (net of tax)					
Re-measurement of defined benefit scheme obligations		(241)	-	-	(241)
Net gain from changes in financial assets		-	-	484	484
Net gain from changes in land and building		-	4	-	4
Total comprehensive income for the year		2,847	4	484	3,335
Balance as at 31 December 2023	**26,27,28**	**78,510**	**992**	**138**	**79,640**

Group for year ending 31 December 2022	Notes	General reserve £000's	Revaluation reserve £000's	Available for sale reserve £000's	Total reserves attributable to members of the Group £000's
		Restated*			Restated*
Balance as at 1 January 2022		**70,869**	**984**	**31**	**71,884**
Profit for the financial year		7,734	-	-	7,734
Other comprehensive (expense)/income for the year (net of tax)					
Re-measurement of defined benefit scheme obligations		(2,486)	-	-	(2,486)
Net loss from changes in financial assets		-	-	(377)	(377)
Net gain from changes in land and building		-	4	-	4
Balance as at 31 December 2022 as originally presented		**76,117**	**988**	**(346)**	**76,759**
Impact of correction of error in respect of retirement benefit obligations		(606)	-	-	(606)
Deferred tax impact of error in respect of retirement benefit obligations		152	-	-	152
Total comprehensive income for the year		4,794	4	(377)	4,421
Balance as at 31 December 2022 restated	**26,27,28**	**75,663**	**988**	**(346)**	**76,305**

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24.

Statements of Changes in Members' Interest as at 31 December 2023 (continued)

Society for year ending 31 December 2023	Notes	General reserve £000's	Revaluation reserve £000's	Available for sale reserve £000's	Total reserves attributable to members of the Society £000's
Balance as at 1 January 2023 as restated		**75,608**	**988**	**(346)**	**76,250**
Profit for the financial year		3,096	-	-	3,096
Other comprehensive (expense)/income for the year (net of tax)					
Re-measurement of defined benefit scheme obligations		(241)	-	-	(241)
Net gain from changes in financial assets		-	-	484	484
Net gain from changes in land and building		-	4	-	4
Total comprehensive income for the year		2,855	4	484	3,343
Balance as at 31 December 2023	**26,27,28**	**78,463**	**992**	**138**	**79,593**

Society for year ending 31 December 2022	Notes	General reserve £000's	Revaluation reserve £000's	Available for sale reserve £000's	Total reserves attributable to members of the Society £000's
		Restated*			Restated*
Balance as at 1 January 2022		**70,798**	**984**	**31**	**71,813**
Profit for the financial year		7,750	-	-	7,750
Other comprehensive (expense)/income for the year (net of tax)					
Re-measurement of defined benefit scheme obligations		(2,486)	-	-	(2,486)
Net loss from changes in financial assets		-	-	(377)	(377)
Net gain from changes in land and building		-	4	-	4
Balance as at 31 December as originally presented		**76,062**	**988**	**(346)**	**76,704**
Impact of correction of error in respect of retirement benefit obligations		(606)	-	-	(606)
Deferred tax impact of error in respect of retirement benefit obligations		152	-	-	152
Total comprehensive income for the year		4,810	4	(377)	4,437
Balance as at 31 December 2022 as restated	**26,27,28**	**75,608**	**988**	**(346)**	**76,250**

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24.

	Notes	Group 2023 £000's	Group 2022 £000's Restated*	Society 2023 £000's	Society 2022 £000's Restated*
Cash flows from operating activities					
Profit before tax		4,097	9,594	4,105	9,610
Depreciation and amortisation		881	471	881	471
Decreased/(Increase) in fair value of derivative financial instruments and hedged items		897	(4,498)	897	(4,498)
Increase in effective interest rate adjustment		(22)	(527)	(22)	(527)
Decrease in impairment on loans and advances		(1)	(52)	(1)	(52)
Amounts recovered in respect of loans previously written off		1	3	1	3
Loss on sale of tangible fixed assets		7	8	7	8
Non-cash pension losses/(gain)		127	(20)	127	(20)
Total cash flow from operating activities		**5,987**	**4,979**	**5,995**	**4,995**
Changes in operating assets and liabilities					
(Increase) in loans and advances to customers		(79,714)	(41,682)	(79,715)	(41,688)
Increase/(Decrease) in accruals and deferred income		187	(196)	196	(202)
(Increase) in prepayments and accrued income		(6,059)	(2,650)	(6,059)	(2,650)
(Decrease)/Increase in amounts owed to credit institutions and other customers		(19,483)	24,856	(19,483)	24,856
Decrease in loans and advances to credit institutions		-	20	-	20
(Increase) in other assets		(301)	(573)*	(286)	(580)*
(Decrease) in other liabilities		(222)	(618)*	(230)	(615)*
Increase in shares		89,645	25,852	89,645	25,852
Pension Contribution paid		(458)	-	(458)	-
Taxation paid		(1,812)	(229)	(1,812)	(229)
Net cash (used in)/generated from operating activities		**(12,230)**	**9,759**	**(12,207)**	**9,759**
Cash flows from investing activities					
Proceeds from sale of fixed assets		7	1	7	1
Tangible fixed asset additions		(1,189)	(1,164)	(1,189)	(1,164)
Intangible fixed asset additions		(726)	(585)	(726)	(585)
Purchase of debt securities		(133,647)	(117,537)	(133,647)	(117,537)
Maturities and disposal of debt securities		173,343	98,771	173,343	98,771
Net cash generated from/(used in) investing activities		**37,788**	**(20,514)**	**37,788**	**(20,514)**
Net increase/(decrease) in cash and cash equivalents		**25,558**	**(10,755)**	**25,581**	**(10,755)**
Cash and cash equivalents at 1 January		163,172	173,927*	163,116	173,871*
Cash and cash equivalents at 31 December	25	188,730	163,172*	188,697	163,116*
Net increase/(decrease) in cash and cash equivalents		**25,558**	**(10,755)**	**25,581**	**(10,755)**

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and associated deferred tax impact) as detailed in note 24 and the reclassification of restricted cash held with the Bank of England to other assets as detailed in note 9.

The notes on pages 71 to 97 form part of these accounts.

1. Principal accounting policies

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and with the Building Societies (Accounts and Related Provisions) Regulations 1998.

Basis of accounting

The Group and Society annual accounts have been prepared in accordance with Financial Reporting Standard 102 in conjunction with IAS39 Financial Instruments: Recognition and Measurement and the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended). The accounts have been prepared on a going concern basis under the historical cost convention with the exception of the following:

- Land and buildings are included at valuation under the transitional rules of FRS 102, consequently they have been included at their 1999 revalued amount
- Available for sale assets are held at fair value
- Derivatives and underlying hedged items are held at amortised cost, adjusted for the fair value attributable to the hedged risk

The accounts are presented in Sterling (£). There are no foreign currency transactions.

The Group and Society have chosen to adopt the recognition and measurement provisions of IAS39 - Financial Instruments: Recognition and Measurement, and disclosure requirements of section 11 and 12 of FRS 102 in respect of Financial Instruments.

Going Concern

The Society has one subsidiary (Leek United Home Loans Limited) that together with the Society compromises the Group. A further subsidiary (Leek United Financial Services Limited) was owned until it was dissolved on 26 September 2023.

The Society conducts annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reviews to assess and stress test its capital and liquidity positions respectively, in line with Prudential Regulation Authority (PRA) requirements. These include the need to model the impact on the Society of a range of severe but plausible stresses to residential house prices, unemployment, interest rates and funding outflows. Supported by these reviews, the Directors have prepared forecasts for a period of at least twelve months from the date of approval of the accounts. These forecasts of the Society's profitability, capital, funding and liquidity positions take account of the Society's current position and principal risks as set out in the Risk Management Report, including severe but plausible stress scenarios. These severe but plausible stresses are established and defined in detail during the annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), in line with PRA requirements. Considerations are given to a range of factors, including but not limited to House Price Index (HPI) fluctuations, changes in customer propensity of default, unemployment, interest rate changes and circumstances that may give rise to funding outflows either on an idiosyncratic level or sector wide. Based on these forecasts, the Directors are satisfied that the Group and Society have adequate resources to continue in business for a period of at least twelve months from the date of approval of the accounts. For this reason, the accounts of the Group and the Society continue to be prepared on the going concern basis.

Basis of consolidation

The Group accounts include the results, cash flows and balance sheets of the Society and its subsidiary.

The Group accounts consolidate the accounts of Leek Building Society and its subsidiary undertakings drawn up to 31 December each year, with the elimination of intercompany balances and transactions. All entities have accounting periods ending 31 December.

Exemptions

The Group has taken the exemption as provided in Section 33.1A of FRS 102 and does not disclose transactions with members of the same group that are wholly owned. See Directors' Remuneration Report on page 50 for disclosure of the Directors' remuneration.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated in the Society's balance sheet at cost less any provision for impairment.

Interest income and expense

Interest receivable and interest payable, for all interest bearing financial instruments held at amortised cost, are recognised in the Income and Expenditure Account using the Effective Interest Rate (EIR) method. This method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the expected average life. The EIR method includes all fees received and costs borne by the Society that are an integral part of the yield of the financial instrument. The main impact for the Society relates to mortgages where fees are incorporated in the calculation. Interest income on available-for-sale instruments, derivatives and other financial assets accounted for at fair value is included in interest receivable and similar income.

Interest payable on shares and amounts owed to credit institutions and other customers are accrued on a daily interest basis.

Fees and commissions

Fees and commissions that are material and that are an integral part of the effective interest rate on financial assets and financial liabilities are included in the measurement of the effective interest rate. Other fees and commissions are recognised as the related services are performed.

Financial assets

a) Loans and receivables

Loans and receivables are predominantly mortgage loans to customers and money market advances held for liquidity purposes. They are initially recorded at fair value and subsequently at amortised cost, including any effective interest rate adjustment, less any impairment losses other than where an adjustment is made as part of a fair value hedging arrangement.

1. Principal accounting policies (continued)

b) Financial asset at fair value through profit and loss

The Group uses derivatives only for interest rate risk management purposes. It does not use derivatives for trading purposes. A fair value hedging programme is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate mortgages.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at their fair value. Fair values of derivative financial instruments are calculated by discounted cash flow models using yield curves that are based on observable market data. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognised immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk within net gain/(losses) from derivative financial instruments.

All derivatives entered into by the Group are for the purposes of providing an economic hedge and form part of a macro-hedging programme. Hedge accounting is an optional treatment but the specific rules and conditions in IAS39 have to be complied with before it can be applied. When transactions meet the criteria specified in IAS39, the Group applies fair value hedge accounting so that changes in the fair value of the underlying asset or liability that are attributable to the hedged risk are recorded in the Income Statement to offset the fair value movement of the related derivative. The Group has classified all of its derivatives as fair value hedges, other than some forward starting swaps that will be treated as unmatched until the hedged mortgages complete. For that period, all fair value changes go through the Income Statement. When fixed rate mortgages are matched with those swaps, the fair value of those mortgages is amortised over the life of the swap. To qualify for hedge accounting at inception, the hedge relationship must be clearly documented. At inception, the derivative must be expected to be highly effective in offsetting the hedged risk and effectiveness must be tested throughout the life of the hedge relationship.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. If the underlying instrument is sold or repaid, the unamortised fair value adjustment is immediately recognised in the Income Statement and, therefore, as a consequence within the statement of changes in members' interests. A summary of the effects of hedging and the associated fair value adjustments can be found in notes 12 and 23.

c) Available for sale assets – debt securities

Available for sale assets are non-derivative assets that are intended to be held for an indefinite period of time. They may be sold in response to needs for changes in liquidity requirements or interest rates. The Group's debt securities are classified as available for sale assets. The Group measures debt securities at fair value, with subsequent changes in fair value being recognised through the Statement of Comprehensive Income, except for impairment losses which are recognised in profit or loss.

Further information regarding how fair values are determined can be found in note 23 to the accounts. Upon sale or maturity of the asset, the cumulative gains and losses recognised in other comprehensive income are removed from available for sale reserves and recycled to the Income Statement.

d) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the accounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Currently, there are no financial assets or liabilities offset on the balance sheet.

Impairment of loans and advances to customers

Individual assessments are made of all mortgage loans that are three months or greater in arrears, in possession, or where there is specific concern about the realisation of the underlying collateral and where there is objective evidence that all cash flows will not be received. Based upon these assessments, an individual impairment reduction of these assets is made. In addition, a collective impairment reduction is made against those loans and advances to customers where objective evidence, including forbearance measures, indicates that it is likely that losses may ultimately be realised. The impairment value is calculated by applying various factors to each loan. These factors take into account the Group's expectation of default and delinquency rate, loss emergence periods, regional house price movements, any discount which may be needed against the value of the property thought necessary to achieve a sale, selling costs and any potential recovery of Mortgage Indemnity Guarantee.

Any increases or decreases in projected impairment provisions are recognised through the Income Statement. If a loan is ultimately uncollectable, then any loss incurred by the Group on extinguishing the debt is written off against the allowance for loan impairment. Any subsequent recoveries of amounts previously written off are recognised through the Income Statement.

Forbearance strategy

A range of forbearance options are available to support customers who are in financial difficulty, the purpose of which is to support customers who have temporary difficulties. The main options offered are:

- Reduced monthly payment including interest only concession
- An arrangement to clear outstanding arrears
- Payment holiday
- Extension of mortgage term
- Transfer to a new product which could help to reduce monthly payments and, as a last resort
- Capitalisation of arrears

Customers requesting a forbearance option will need to provide information to support the request which is likely to include the completion of an Income and Expenditure Questionnaire, bank statements and payslips in order that the request can be properly assessed. If the forbearance request is granted, the account is monitored in accordance with our policy and procedures.

Impairment losses on debt securities

At each statement of financial position date, the Group assesses whether or not there is objective evidence that individual debt instruments are impaired. In determining whether there is any objective evidence of impairment, the Group takes into account a number of factors including:

- Significant financial difficulties of the issuer or obligor
- Any breach of contract or covenants
- The granting of any concession or rearrangement of terms
- The disappearance of an active market
- Any significant downgrade of ratings of the issuer or obligor
- Any significant reduction in market value of the instrument

In some cases, a significant adverse change in one of the above factors will cause the Group to determine that there is objective evidence of impairment. In other cases, it may not be possible to identify a single event that identifies impairment. The Group may additionally determine that there is impairment where there are a number of factors contributing to that view.

Where the Group determines that there is objective evidence of impairment or that trigger events exist at the statement of financial position date, then, in the case of available for sale instruments, the cumulative loss that had been recognised directly in reserves is removed from reserves and recognised in the Income Statement. In the case of held to maturity instruments, an appropriate charge is made to the Income Statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be related to an event occurring after the impairment loss was recognised through the Income Statement, the impairment loss is reversed, with the amount of the reversal recognised through the Income Statement.

Pension costs

The Society operates two pension schemes, a defined contribution scheme and a defined benefit scheme. A defined contribution scheme is one into which the Group and the employee pay fixed contributions, without any obligations to pay future contributions. Payments into the defined contribution scheme are charged to the Income Statement as they become payable in accordance with the rules of the scheme. A defined benefit scheme is one that defines the benefit the employee will receive on retirement, depending on factors such as age and length of service.

On 24 April 2013, the Society closed its externally funded final salary (defined benefit) scheme to further accrual. Contributions payable to the scheme are determined by a qualified actuary on the basis of a triennial valuation using the projected credit unit method, and are charged to the income and expenditure account over the periods benefiting from the employees' services. A full actuarial valuation has been prepared dated 24 April 2021 but was finalised during 2022. The valuation stated that the scheme carried a deficit of £1,011K and proposed monthly payments during 2023 and 2024 to reduce the deficit. The proposal was accepted and additional payments have been made in the year ending 31 December 2023. The charge to the income and expenditure account over the financial year in relation to the defined benefit scheme is shown in note 24.

The pension scheme deficit on the closed scheme at 31 December 2023 has been recognised as a liability on the statement of financial position.(2022: Deficit and recognised as a liability).

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality sterling bonds of comparable term to the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited each year to the Statement of Other Comprehensive Income. Past and current service costs are recognised immediately in administrative expenses.

Net interest income, comprising expected interest income on scheme assets less interest costs on scheme liabilities, is calculated by applying the discount rate to the net balance of the fair value of scheme assets less the defined benefit obligation. This result is recognised in the Income Statement as the net finance credit on pension scheme.Cash and cash equivalents

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and other eligible bills and loans and advances to credit institutions.

Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised providing for temporary differences between the carrying amount of certain assets and liabilities for accounting purposes and for taxation purposes. Deferred tax is provided using tax rates enacted or substantively enacted at the statement of financial position date, depending on the date at which they are expected to reverse. Deferred tax has been recognised in respect of all timing differences at the reporting date.

1. Principal accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation with the exception of freehold land and buildings which are stated at their previously revalued amount. Freehold buildings are depreciated on a straight-line basis over 50 years. Freehold land is not depreciated. Equipment, fixtures and fittings are depreciated on a straight-line basis over their estimated useful lives of between three and fifteen years.

Intangible fixed assets and amortisation

The costs of computer software acquired where the Group will derive future economic benefit are capitalised at the acquisition date. Amortisation is charged to the Income Statement on a straight line basis over the estimated useful life of the intangible asset. Current capitalised intangible assets are amortised over 4 or 5 years dependent upon the nature of the asset, as an approximation of its useful economic life.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Intangible assets are subject to regular impairment reviews in accordance with section 27 of FRS 102.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Assets under construction

Assets under construction represent expenditure on development activities where the product or process is technically and commercially feasible. The asset is capitalised where the directly associated external and internal costs of developing the asset are identifiable and where it is expected that it will yield future economic benefits. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired. Assets under construction are not amortised until the date they are available for use.

Provisions for liabilities and charges

A provision is recognised in the balance sheet if the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Critical accounting judgements and estimates

Some asset and liability amounts reported in the accounts are based on management estimates, judgements and assumptions. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are described below:

a) Impairment losses on loans and advances

The Group reviews its mortgage portfolio to assess impairment on a regular basis, in determining whether an impairment loss should be recorded in the Income Statement. In undertaking this review, management make judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows on an individual loan basis. This evidence includes observable data indicating that there has been an adverse change in the payments status or borrower's local economic conditions, including forbearance measures such as a transfer to interest only products and term extensions that correlate with defaults on assets in the Group.

Management also assess the expected loss on loans and advances as a result of the expected movement in house prices and the forced sale discount on properties in possession as well as the likely time taken to recover a loan. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any differences between loss estimates and actual loss experience.

The principal estimates are the likelihood that a loan will become impaired/default, known as the Probability of Default (PD) and, on these cases, how much will be lost, known as Loss Given Default (LGD). This is principally driven by house prices at the point of realisation of collateral. The impact of a 1% increase in PD would increase the collective provision in held in 2023 by £625k (2022: £296k). The impact of a 5% increase in the forced sale discount affecting the LGD would impact the collective provision in 2023 by £176k (2022: £122k).

Specific consideration has been given to the cost-of-living crisis and how this may impact impairments. The increases in energy costs in particular have been unprecedented and, combined with rising interest rates, have undoubtedly put pressure on member finances. Whilst the Society adopts a prudent approach to mortgage affordability, it is likely that some borrowers will find it challenging to absorb such increases. Ongoing analysis of key pre-arrears indicators and the capacity of borrowers to absorb higher costs has allowed the Society to identify those borrowers most at risk of default. This coupled with the anticipated economic conditions through the recovery period for loans in default, the Board Audit Committee deemed a specific overlay, in addition to the individual and collective impairment allowance, of £0.1m was appropriate (2022:£0.4m).

b) Employee benefits and recognition of pension deficit

The Group operates a defined benefit pension scheme and has an obligation to pay pension benefits to certain employees. Judgement is exercised in estimating the value of the assets and liabilities of the scheme, and hence its net surplus or deficit. The Group have estimated the assumptions, set out in note 24, after taking advice from qualified independent actuaries. Sensitivities relating to the key estimates are set out below:

Assumption	Sensitivity (increase)	Impact on liabilities
Discount rate	0.50%	c. £1.7m reduction
Inflation (RPI/CPI)[1]	0.50%	c. £0.5m increase
Mortality[2]	0.25%	c. £0.2m increase

[1] The inflations sensitivity sets out the impact on inflation linked liabilities only.
[2] The mortality sensitivity considers the impact of an increase in the long-term trend rate to 1.25% p.a. from 1.00% p.a.

A decrease in discount rate sensitivities largely would have an equal and opposite impact on pension scheme liabilities, whereas an increase in inflation and mortality would increase the pension liabilities.

c) Fair values of derivatives and financial asset

The Group values the fair value of its derivatives and financial assets as follows:

- Available for sale – measured at fair value using quoted prices based on independent third party valuations
- Derivative financial instruments – calculated by discounted cash flow models using yield curves that are based on observable market data

d) Intangible assets under construction

In 2020, the Society commenced a significant investment programme which incorporated a number of individual projects to support its strategy, including the development of a digital savings platform (implemented November 2022) and a mortgage transformation project to support more efficient processing of mortgage applications (due to be implemented 2024).

In certain circumstances the investment spend on this new mortgage transformation project is required to be recognised as an intangible asset. During 2023 £673k has been capitalised as an Intangible Asset under Construction on the balance sheet where it will remain unamortised until it is available for use. As this intangible asset is not yet available for use, it has been subject to an impairment assessment which required the exercise of judgement with regard to the potential future economic benefits that will accrue to the Society. This assessment concluded that this intangible asset is not impaired.

2. Interest receivable and similar income

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
On loans fully secured on residential property	28,929	20,430	28,927	20,428
On other loans	9	7	9	7
On debt securities – interest and other income	6,354	1,835	6,354	1,835
On other liquid assets – interest and other income	7,116	2,302	7,116	2,302
Net interest income on derivative financial instruments	15,436	3,325	15,436	3,325
	57,844	**27,899**	**57,842**	**27,897**

3. Interest payable and similar charges

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
On shares held by individuals	29,417	7,979	29,417	7,979
On deposits and other borrowings	6,783	2,047	6,783	2,047
Net interest expense on derivative financial instruments	463	56	463	56
	36,663	**10,082**	**36,663**	**10,082**

4. Fees and commissions receivable

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Insurance commission	215	289	215	289
Other fees	68	117	68	117
	283	**406**	**283**	**406**

5. Total net (loss)/gains from derivative financial instruments

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
(Losses)/Gains on hedging instruments	(18,091)	28,841	(18,091)	28,841
Gains/(Losses) on hedged items attributable to the hedged risk	15,260	(23,381)	15,260	(23,381)
Net matched position	**(2,831)**	**5,460**	**(2,831)**	**5,460**
Gains/(Losses) on derivatives not in designated fair value Relationships	528	(894)	528	(894)
Total net (loss)/gains on derivatives	**(2,303)**	**4,566**	**(2,303)**	**4,566**

The net Fair Value (FV) loss from matched derivative financial instruments of £2,831k (2022: gain of £5,460k) represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis at the balance sheet date, offset by the net fair value movement on the hedged item (fixed rate mortgages and savings). The loss this year is attributable to the exposure of these swaps to the exceptionally volatile interest rate environment during the year in the period after being transacted but before being matched in a hedge relationship. The Group and Society adopts macro fair value hedge accounting for its fixed rate mortgages and savings products. Where the relationship between the hedging instruments (derivatives) held does not perfectly match the interest rate risk in the underlying mortgage and savings products issued by the Group this gives rise to hedge ineffectiveness. During 2023 this gave rise to a loss of £2,831k (2022: gain of £5,460k).

Hedge accounting has not been achieved yet on certain derivatives, given they are unmatched as at the balance sheet date, resulting in a net fair value gain of £528k (2022: FV loss of £894k). This reflects timing differences between the execution of the derivatives and the completion of the associated hedged item, or where the derivative has become ineffective due to the early redemption of the hedged item.

6. Administrative expenses

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Staff costs (including Executive Directors):				
Wages and salaries	6,952	6,274	6,952	6,274
Social security costs	726	660	726	660
Other pension costs	551	492	551	492
	8,229	**7,426**	**8,229**	**7,426**
Other expenses:				
Remuneration of auditors (excluding VAT)				
Audit of Group and Society accounts	303	343	303	343
Audit of subsidiaries	7	15	-	-
Other services – audit related assurance services	10	17	10	17
Other services – other assurance services	5	5	5	5
Total auditor remuneration	**325**	**380**	**318**	**365**
Other administrative expenses	5,150	4,610	5,147	4,607
Total administrative expenses	**13,704**	**12,416**	**13,694**	**12,398**

The average number of persons (including Executive Directors) employed during the year was:

	Group 2023	Group 2022	Society 2023	Society 2022
(i) At principal office:				
Full-time staff	103	105	103	105
Part-time staff	36	38	36	38
(ii) At branch offices:				
Full-time staff	29	33	29	33
Part-time staff	39	31	39	31
Total staff	**207**	**207**	**207**	**207**
(iii) Total full-time equivalents	182	187	182	187

Directors' loans and transactions

A register of loans and transactions with Directors and connected persons is maintained and is available for inspection by members at the Society's principal office up to and including 24 April 2024 and at the Annual General Meeting. The total loans outstanding at 31 December 2023, in respect of 1 (2022:1) person amounted to £159k (2022: £219k). As at 31 December 2023 a total of £230,093 (2022:£144,688) was held in Society savings by the Directors.

The analysis of Directors' remuneration can be found in the Directors' Remuneration Report.

7. Impairment credit on loans and advances to customers

Group and Society

	Loans fully secured on residential property		
	Individual Impairment £000's	Collective Impairment £000's	Total £000's
At 1 January 2023	17	488	505
Amounts utilised in the year	-	-	-
Charge in the year	-	-	-
At 31 December 2023	**17**	**488**	**505**

Group and Society

	Loans fully secured on residential property		
	Individual Impairment £000's	Collective Impairment £000's	Total £000's
At 1 January 2022	6	598	604
Amounts utilised in the year	-	-	-
Charge/(release in the year	11	(110)	(99)
At 31 December 2022	**17**	**488**	**505**

The credit in the Income Statement is as follows:-

Group and Society	2023 £000's	2022 £000's
Change in loan impairment allowance	-	(99)
Amounts recovered in respect of loans previously written off	(1)	(2)
Amounts written off during the year	-	49
Credit to the income statement	**(1)**	**(52)**

The impairment allowance as at 31 December 2023 and 2022 has been deducted from loans fully secured on residential property in the Statement of Financial Position. No impairment allowance is held for loans fully secured on land.

The above table includes the impact of the mortgage impairment overlays of £121k for the year ended 31 December 2023 (2022: £360k). Further details are provided in note 1 to these accounts.

8. Tax on profit

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
(a) UK corporation tax at 23.52% (2022: 19%):				
Current tax	837	1,655	837	1,655
UK deferred tax at 25% (2022: 19%):				
Deferred tax – current year (see note 16)	172	205	172	205
Total	**1,009**	**1,860**	**1,009**	**1,860**

The tax assessed for the year is higher (2022: higher) than the standard rate of corporation tax in the UK of 23.52% (2022: 19%). The differences are explained below.

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
(b) Factors affecting current tax charge in year:				
Profit before tax	4,097	9,594	4,105	9,610
Tax on profit at UK standard rate of 23.52% (2022: 19%)	964	1,823	965	1,826
Expenses not deductible for tax purposes	5	6	5	6
Adjustment respect of prior year	(73)	(5)	(73)	(5)
Group relief claimed	-	-	(2)	(3)
Impact of change in rate – deferred tax	-	-	-	-
Fixed asset timing difference	110	23	110	23
Chargeable gains	(4)	(3)	(3)	(3)
Deferred tax not recognised	7	16	7	16
Total tax charge	**1,009**	**1,860**	**1,009**	**1,860**

Current tax has been provided at the rate of 23.52%. For the year ended 31 December 2023 deferred tax was provided at a rate of 25% being the rate substantively enacted at the balance sheet date.

9. Cash in hand and balances with the Bank of England

	Note	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
			Restated*		Restated*
Cash in hand		630	673	630	673
Balances at the Bank of England		177,397	152,096*	177,397	152,096*
Included in cash and cash equivalents	25	**178,027**	**152,769**	**178,027**	**152,769**

*2022 has been restated to allow for the Bank of England mandatory Cash Ratio Deposit balance of £1,135k to be recognised as other assets, due to the restricted access to the funds.

10. Loans and advances to credit institutions

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Maturity analysis:				
Repayable on demand	10,703	10,403	10,670	10,347
	10,703	**10,403**	**10,670**	**10,347**

11. Debt securities

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Available for sale securities:				
Issued by UK Government	27,228	19,789	27,228	19,789
Issued by other borrowers - listed	15,293	33,136	15,293	33,136
Issued by other borrowers - unlisted	66,937	90,619	66,937	90,619
	109,458	**143,544**	**109,458**	**143,544**
Available for sale securities:				
Maturity analysis:				
In not more than one year	94,165	128,197	94,165	128,197
In more than one year	15,293	15,347	15,293	15,347
	109,458	**143,544**	**109,458**	**143,544**

The Directors of the Society consider that the primary purpose of holding securities is prudential. The securities held as liquid assets are held with the intention of use on a continuing basis in the Society's activities. Movements in debt securities during the year may be analysed as follows:

Group and Society	2023 £000's	2022 £000's
At 1 January	143,544	123,778
Additions	133,647	117,534
Maturities and disposals	(173,343)	(98,771)
Movement in premium and accrued interest	5,126	1,380
Gains/(Loss) in fair value recognised in Other Comprehensive Income	484	(377)
At 31 December	**109,458**	**143,544**

Additions and disposals include premium and accrued interest on acquisition/sale, therefore the movement in premium and accrued interest in the table above reflects movements on assets held during the year.

12. Derivative financial instruments

Group and Society	Contract Notional Amount £000's	Fair Value Assets £000's	Fair Value Liabilities £000's	Fair Value Net Asset / (Liability) £000's
At 31 December 2023				
Unmatched derivatives – interest rate swaps	45,721	10	(220)	(210)
Derivatives designated as fair value hedges - interest rate swaps	744,539	20,688	(3,975)	16,713
Total recognised derivative assets/(liabilities)	**790,260**	**20,698**	**(4,195)**	**16,503**
At 31 December 2022				
Unmatched derivatives – interest rate swaps	84,033	266	(1,003)	(737)
Derivatives designated as fair value hedges - interest rate swaps	500,830	35,040	(238)	34,804
Total recognised derivative assets/(liabilities)	**584,863**	**35,306**	**(1,241)**	**34,067**

Unmatched derivatives relate to swaps which have not been matched against mortgages for hedge accounting purposes as at the relevant balance sheet date. This reflects timing differences between the swaps being transacted and the associated mortgages completing, or in some cases where the swap has become ineffective due to the early redemption of associated mortgages.

13. Loans and advances to customers

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Loans and advances to customers comprise:				
Loans fully secured on residential property	996,642	916,905	996,619	916,881
Loans fully secured on land	157	159	157	159
Fair value adjustment for hedged risk	(12,314)	(28,979)	(12,314)	(28,979)
	984,485	**888,085**	**984,462**	**888,061**

Loans and advances to customers are held at amortised cost (with the exception of loans in a hedged relationship described below), with interest and associated costs being recognised in the interest receivable and similar income line of the Income Statement on an effective interest rate basis.

Fair value hedging adjustments of £12,314k (2022: £28,979k) have been made to certain fixed rate mortgages that are in fair value hedging relationships.

The contractual repayment profile of loans fully secured on residential property, loans fully secured on land and unsecured loans from the balance sheet date is as follows:

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Repayable on demand	951	591	951	591
In not more than three months	7,062	7,349	7,062	7,349
In more than three months but not more than one year	24,898	23,644	24,875	23,644
In more than one year but not more than five years	155,015	154,681	155,015	154,658
In more than five years	808,180	730,127	808,180	730,126
	996,106	**916,392**	**996,083**	**916,368**
Loan impairment allowance	(505)	(505)	(505)	(505)
Fair value adjustment for hedged risk	(12,314)	(28,979)	(12,314)	(28,979)
Effective interest rate adjustment	1,198	1,177	1,198	1,177
	984,485	**888,085**	**984,462**	**888,061**

It should be noted that the above maturity analysis may not reflect actual experience of repayments since many mortgage loans are repaid early.

14. Investments in subsidiary undertakings

	Society 2023 £000's	Society 2022 £000's
Shares	-	1
Loans	-	-
	-	**1**

Leek United Home Loans Limited is a wholly owned direct subsidiary undertaking of the Society. The Society holds £100 of shares in the subsidiary. The company is registered in England and Wales. All shares are £1 ordinary shares. The principal activity of the subsidiary is the purchase and administration of mortgage portfolios. No Director had a beneficial interest in any shares or debentures of the subsidiary undertaking.

Leek United Financial Services Limited was a wholly owned direct subsidiary of the Society. The company was registered in England and Wales and was dissolved during the year ending 31 December 2023.

The registered office address for all subsidiaries is the same as for the Society.

15. Fixed assets

Tangible Fixed Assets Group and Society	Freehold land and buildings £000's	Equipment, fixtures and fittings £000's	Assets Under Construction £000's	Totals £000's
Cost				
At 1 January 2023	2,547	4,468	87	7,102
Additions	-	1,271	1,039	2,310
Transfer	-	-	(1,126)	(1,126)
Disposals	-	(1,738)	-	(1,738)
At 31 December 2023	2,547	4,001	-	6,548
Accumulated depreciation				
At 1 January 2023	865	2,794	-	3,659
Charge for the year	37	470	-	507
Disposals	-	(1,729)	-	(1,729)
At 31 December 2023	902	1,535	-	2,437
Net book value				
At 31 December 2023	**1,645**	**2,466**	**-**	**4,111**

As part of its investment programme, the Society invested in the refurbishment of its branch network and Head Office building. Tangible assets under construction represent the investment in these assets which concluded in 2023.

Tangible Fixed Assets Group and Society	Freehold land and buildings £000's	Equipment, fixtures and fittings £000's	Assets Under Construction £000's	Totals £000's
Cost				
At 1 January 2022	2,547	3,740	129	6,416
Additions	-	132	1,057	1,189
Transfer	-	1,073	(1,073)	-
Disposals	-	(477)	(26)	(503)
At 31 December 2022	2,547	4,468	87	7,102
Accumulated depreciation				
At 1 January 2022	828	2,984	-	3,812
Charge for the year	37	278	-	315
Disposals	-	(468)	-	(468)
At 31 December 2022	865	2,794	-	3,659
Net book value				
At 31 December 2022	**1,682**	**1,674**	**87**	**3,443**

The net book value of land and buildings occupied by the Group and Society for its own activities is £1,645k (2022: £1,682k). Under FRS 102, the Society and Group elected to maintain the book value of fixed assets at their revalued amount as at 31 December 2000 and have elected to use this revaluation as deemed cost at the date of the original valuation. If land and buildings had not been revalued they would have been included at the following amount:

	2023 £000's	2022 £000's
Cost	1,470	1,470
Aggregate depreciation based on cost	(524)	(502)
	946	**968**

15. Fixed assets (continued)

Intangible Fixed Assets Group and Society	Computer Software £000's	Assets Under Construction £000's	Totals £000's
Cost			
At 1 January 2023	3,232	140	3,372
Additions	53	726	779
Transfer	-	(53)	(53)
Disposals	(100)	-	(100)
At 31 December 2023	3,185	813	3,998
Accumulated amortisation			
At 1 January 2023	1,632	-	1,632
Charge for the year	374	-	374
Disposals	(100)	-	(100)
At 31 December 2023	1,906	-	1,906
Net book value			
At 31 December 2023	**1,279**	**813**	**2,092**

Intangible assets under construction represent the Society's investment in new software for the Mortgage Transformation Programme.

Intangible Fixed Assets Group and Society	Computer Software £000's	Assets Under Construction £000's	Totals £000's
Cost			
At 1 January 2022	2,007	779	2,786
Additions	49	537	586
Transfer	1,176	(1,176)	-
Disposals	-	-	-
At 31 December 2022	3,232	140	3,372
Accumulated amortisation			
At 1 January 2022	1,476	-	1,476
Charge for the year	156	-	156
Disposals	-	-	-
At 31 December 2022	1,632	-	1,632
Net book value			
At 31 December 2022	**1,600**	**140**	**1,740**

16. Other assets

	Group 2023 £000's	Group 2022 £000's Restated*	Society 2023 £000's	Society 2022 £000's Restated*
Amounts due from subsidiary undertakings	-	-	-	14
Bank of England Cash Ratio Deposit	1,364	1,135	1,364	1,135
Other	147	74	148	74
	1,511	1,209	1,512	1,223

*2022 has been restated to allow for the Bank of England mandatory Cash Ratio Deposit balance of £1,135k to be recognised in other assets, due to the restricted access to the funds.

16. Other assets (continued)

Deferred Tax	Group 2023 £000's	Group 2022 £000's Restated*	Society 2023 £000's	Society 2022 £000's Restated*
The elements of deferred taxation are as follows:				
Difference between accumulated depreciation and				
Capital allowances	(571)	(512)	(571)	(512)
Capital gains on revalued land and building	(121)	(125)	(121)	(125)
Other timing differences	723	756	723	756
	31	**119**	**31**	**119**
Deferred taxation balance at 1 January	119	(660)	119	(660)
Deferred tax charge	(172)	(205)	(172)	(205)
Items in relation to the Statement of Comprehensive Income:				
Movements in relation to pension scheme	80	980	80	980
Movements in relation to revalued land and buildings	4	4	4	4
At 31 December	**31**	**119**	**31**	**119**

All deferred tax balances have been recognised at 25% being the rate substantively enacted at the balance sheet date. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2023 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2022: 25%).

17. Prepayments and accrued income

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Prepayments	614	877	614	877
Accrued income	4	30	4	30
	618	**907**	**618**	**907**

18. Shares

In the ordinary course of business, shares are repayable from the balance sheet date as follows:

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Repayable on demand	707,081	766,587	707,081	766,587
In not more than three months	35,927	27,053	35,927	27,053
In more than three months but not more than one year	183,171	122,343	183,171	122,343
In more than one year but no more than five years	161,631	83,587	161,631	83,587
Fair Value Adjustment for Hedged Risks	1,305	(100)	1,305	(100)
	1,089,115	**999,470**	**1,089,115**	**999,470**

19. Amounts owed to credit institutions

In the ordinary course of business, amounts owed to credit institutions are repayable from the balance sheet date as follows:

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Repayable in less than one year	19,993	35,398	19,993	35,398
Repayable in more than one year but no more than five years	109,000	109,000	109,000	109,000
	128,993	**144,398**	**128,993**	**144,398**

Amounts payable in less than one year amounting to £19,993k (2022: £35,398k) relates to amounts received as collateral with counterparties in respect of derivative contracts.

20. Amounts owed to other customers

In the ordinary course of business, amounts owed to other customers are repayable from the balance sheet date as follows:

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Repayable on demand	7,555	11,633	7,555	11,633

21. Other liabilities

	Group 2023 £000's	Group 2022 £000's Restated*	Society 2023 £000's	Society 2022 £000's Restated*
Amounts falling due within one year:				
Corporation tax	389	1,364	389	1,364
Other taxation and social security costs	177	172	177	172
Amounts due to Subsidiary undertakings	-	-	-	8
Other creditors	137	364	138	364
	703	**1,900***	**704**	**1,908***

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24.

22. Accruals and deferred income

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
Accrued interest on derivatives – Pay fix swaps	2,165	943	2,165	943
Included as assets on the SOFP	2,165	943	2,165	943
Accrued interest on derivatives – Receive fix swaps	116	-	116	-
Included as liabilities on the SOFP	116	-	116	-
Accruals	805	734	796	716
Deferred income	6	6	6	6
Included as liabilities on the SOFP	**811**	**740**	**802**	**722**

For the year ending 31 December 2023, the accrued interest on derivatives is an asset of £2,165k (2022: Income £943k) for Pay Fix Swaps and a liability of £116k for Receive fix swaps. Other accruals and deferred income for both 2022 and 2023 are shown as liabilities.

23. Financial instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Group is a retailer of financial instruments in the form of mortgage and savings products and also uses wholesale financial instruments to invest liquid asset balances, raise wholesale funding and manage the risks arising from its operations.

The Group has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Board, which is charged with the responsibility for managing and controlling the balance sheet exposures and the use of financial instruments for risk management purposes. The Board Risk Committee (BRC) is supported by the All Risks Committee (ARC), Credit Risk Forum (CRF) and the Asset and Liability Committee (ALCO).

ARC's main responsibility is to assess the management of operational and conduct risk together with legal and regulatory risk across the Group. Responsibilities of the ARC also include ensuring the detailed application of the Risk Management Framework and the development of key risk policies and indicators.

The CRF exists to oversee and ensure effective credit risk management of the mortgage portfolio, to challenge relevant management information and other credit risk related matters and ensure that the level of risk within the portfolio is within the agreed risk appetite measures.

ALCO supervises the Group's treasury and financial risk management activities and advises and supports the Finance Director in carrying out his responsibilities, including the identification, management and control of the balance sheet risks and the overview and monitoring of relevant risk control frameworks. Management of market, liquidity and funding, strategic and capital risk and wholesale credit risk has been delegated to the ALCO.

Instruments used for risk management purposes include derivative financial instruments (derivatives), which are contracts or agreements whose value is derived from one or more underlying price, rate or indexes inherent in the contract or agreement, such as interest rates. Derivatives are only used by the Group in accordance with the Building Societies Act 1986 (as amended by the Building Societies Acts 1997 and 2005), to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation. The Group does not trade in derivatives or use them for speculative purposes.

Type of derivatives

The principal derivatives used in balance sheet risk management are interest rate swaps which are used to hedge Group balance sheet exposures arising from fixed rate mortgage lending and savings products. An interest rate swap is a contract to exchange one set of interest rate cash flows for another. Such swaps result in the economic exchange of interest rates. No exchange of principal takes place. Instead, interest payments are based on notional principal amounts agreed at inception of the swap. The duration of the interest rate swap is generally short to medium term (1 to 5 year) and their maturity profile reflects the nature of the exposures arising from the underlying business activities.

The following table describes the significant activities undertaken by the Group, the related risks associated with such activities and the types of derivatives which are typically used in managing such risks. The Group applies fair value macro-hedging techniques to these (as discussed in note 1). The fair value of these hedges as at 31 December 2023 is shown in note 12.

Activity	Risk	Type of hedge
Fixed rate savings products	Sensitivity to falls in interest rates	Receive fixed interest rate swaps
Fixed rate mortgage products	Sensitivity to increases in interest rates	Pay fixed interest rate swaps

The following table sets out a summary of the terms and conditions and accounting policies of financial instruments:

Financial Instrument	Terms and Conditions	Accounting Policy
Loans and advances to credit institutions	Variable interest rates Short to medium term maturity	Loans and receivables at amortised cost Accounted for at settlement date
Debt securities	Fixed or variable interest rates Fixed term Short to medium term maturity	Available for sale at fair value through Other Comprehensive Income Accounted for at settlement date
Loans and advances to customers	Secured on residential property or land Standard contractual term between 5 and 40 years Fixed or variable interest rate	Loans and receivables at amortised cost if not in a hedged relationship Loans and advances held at amortised cost, adjusted for the fair value attributable to the hedged risk, where in a hedged relationship Accounted for at settlement date
Shares	Fixed or variable term Fixed or variable interest rates Short to medium term maturity	Financial liabilities at amortised cost Financial liabilities held at fair value where in a hedged relationship Accounted for at settlement date
Amounts owed to credit institutions	Variable interest rates Short to medium term maturity	Financial liabilities at amortised cost Accounted for at settlement date
Amounts owed to other customers	Variable interest rates Short to medium term maturity	Financial liabilities at amortised cost Accounted for at settlement date
Derivative financial instruments	Fixed interest paid converted to variable interest received Fixed interest received converted to variable interest paid Based on notional value of derivative	Fair value through profit and loss Accounted for at trade date

Financial assets and liabilities are measured on an ongoing basis either at fair value or amortised cost. Note 1 describes how the classes of financial instruments are measured, and how income and expenses, including fair values and gains and losses, are recognised. The tables which follow analyse the Group's assets and liabilities by accounting classification. There are no material differences between Group and Society.

23. Financial instruments (continued)

Carrying values as at 31 December 2023	Loans and receivables £000's	Financial assets and liabilities at amortised cost £000's	Available for sale £000's	Derivatives designated as fair value hedges £000's	Unmatched derivatives at fair value £000's	Total £000's
Financial assets						
Cash in hand and balances with the Bank of England	-	178,027	-	-	-	178,027
Loans and advances to credit institutions	10,703	-	-	-	-	10,703
Debt securities	-	-	109,458	-	-	109,458
Derivative financial instruments	-	-	-	20,688	10	20,698
Loans and advances to customers	996,799	(12,314)	-	-	-	984,485
Total financial assets	**1,007,502**	**165,713**	**109,458**	**20,688**	**10**	**1,303,371**
Total non-financial assets						10,528
Total Group assets						**1,313,899**
Financial liabilities						
Shares	-	1,089,115	-	-	-	1,089,115
Amounts owed to credit institutions	-	128,993	-	-	-	128,993
Amounts owed to other customers	-	7,555	-	-	-	7,555
Derivative financial instruments	-	-	-	3,975	220	4,195
Total financial liabilities	**-**	**1,225,663**	**-**	**3,975**	**220**	**1,229,858**
Total non-financial liabilities						4,401
General and other reserves						79,640
Total Group reserves and liabilities						**1,313,899**

Carrying values as at 31 December 2022 Restated*	Loans and receivables £000's	Financial assets and liabilities at amortised cost £000's	Available for sale £000's	Derivatives designated as fair value hedges £000's	Unmatched derivatives at fair value £000's	Total £000's
Financial assets						
Cash in hand and balances with the Bank of England	-	152,769*	-	-	-	152,769*
Loans and advances to credit institutions	10,403	-	-	-	-	10,403
Debt securities	-	-	143,544	-	-	143,544
Derivative financial instruments	-	-	-	35,040	266	35,306
Loans and advances to customers	917,064	(28,979)	-	-	-	888,085
Total financial assets	**927,467**	**123,790**	**143,544**	**35,040**	**266**	**1,230,107**
Total non-financial assets						8,361*
Total Group assets						**1,238,468**
Financial liabilities						
Shares	-	999,470	-	-	-	999,470
Amounts owed to credit institutions	-	144,398	-	-	-	144,398
Amounts owed to other customers	-	11,633	-	-	-	11,633
Derivative financial instruments	-	-	-	238	1,003	1,241
Total financial liabilities	**-**	**1,155,501**	**-**	**238**	**1,003**	**1,156,742**
Total non-financial liabilities						5,421*
General and other reserves						76,305*
Total Group reserves and liabilities						**1,238,468**

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24 and the reclassification of restricted cash held with the Bank of England to other assets as detailed in note 9.

23. Financial instruments (continued)

Fair value of financial instrument assets and liabilities carried at fair value

The table below summarises the fair value of the Group's financial assets and liabilities that are accounted for at fair value, analysed by the valuation method used by the Group to derive the financial instrument's fair value:

	Notes	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
As at 31 December 2023					
Financial assets					
Available for sale:					
Debt securities	11	42,521	66,937	-	**109,458**
Derivative financial instruments:					
Interest rate swaps	12	-	20,698	-	**20,698**
		42,521	**87,635**	**-**	**130,156**
Financial liabilities					
Derivative financial instruments:					
Interest rate swaps	12	**-**	**4,195**	**-**	**4,195**

	Notes	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
As at 31 December 2022					
Financial assets					
Available for sale:					
Debt securities	11	52,925	90,619	-	**143,544**
Derivative financial instruments:					
Interest rate swaps	12	-	35,306	-	**35,306**
		52,925	**125,925**	**-**	**178,850**
Financial liabilities					
Derivative financial instruments:					
Interest rate swaps	12	**-**	**1,241**	**-**	**1,241**

Valuation techniques

The following is a description of the determination of fair value for financial instruments which are accounted for at fair value using valuation techniques.

Level 1 - Quoted Prices (unadjusted) based on independent third party valuations in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

The main valuation techniques employed by the Group to determine fair value of the financial instruments disclosed in the previous table are set out below.

Debt Securities

Level 1 – Market prices have been used to determine the fair value of the listed debt securities.

Level 2 – Valuation is based on a calculation of expected market value based on interest rates and current available market rates at the date of valuation.

Derivatives

Level 2 - Interest rate swaps – the valuation of interest rate swaps is based on the net present value method. The expected interest cash flows are discounted using the forward SONIA curve, depending on the variable rate embedded within the swap. The SONIA curves are generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments.

23. Financial instruments (continued)

Credit risk

Credit risk is the risk that the Group incurs a financial loss arising from the failure of a customer or counterparty. The Group structures the level of credit risk it undertakes, by maintaining a credit governance framework involving delegated approval authority levels and credit procedures, the objective of which is to build and maintain risk asset portfolios of high quality. Credit risk in relation to retail customers is governed by limits contained in the Society's Board approved Retail Credit Risk Policy. The Society's treasury policies mean that tight criteria are set over where the Society is prepared to place excess funds. The criteria include long term ratings published by external credit rating agencies, which are an indication of a company's creditworthiness.

The Group and Society's maximum credit risk exposure is detailed in the table below:

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
		Restated*		Restated*
Cash in hand and balances with the Bank of England	178,027	152,769*	178,027	152,769*
Loans and advances to credit institutions	10,703	10,403	10,703	10,347
Debt securities	109,458	143,544	109,458	143,544
Derivative financial instruments	20,698	35,306	20,698	35,306
Loans and advances to customers	984,485	888,085	984,462	888,061
Total statement of financial exposure[1]	**1,303,371**	**1,230,107**	**1,303,348**	**1,230,027**
Off balance sheet exposure - mortgage commitments[2]	35,377	50,973	35,377	50,973
Total	**1,338,748**	**1,281,080**	**1,338,725**	**1,281,000**

*2022 restated due to the reclassification of restricted cash held with the Bank of England to other assets as detailed in note 9.
[1]*All values are stated at balance sheet amounts.*
[2]*This reflects business that has been formally offered but has not yet completed.*

a) Loans and advances to credit institutions, debt securities and derivative financial instruments

The ALCO is responsible for approving treasury counterparties for both derivatives and investment purposes. Limits are placed on the amount of risk accepted in relation to one counterparty, or group of counterparties, and to industry sectors. This is monitored daily and reviewed monthly by the ALCO.

The Group's policy only permits lending to UK Central Government (which includes the Bank of England), banks with a high credit rating (including supranationals) and building societies. The Group performs regular analysis of counterparty credit risk and monitoring of publicly available information to highlight possible indirect exposures.

An analysis of the Group's treasury asset concentration is shown in the table below. There are no material differences between Group and Society.

Industry sector	2023 £000's	2023 %	2022 £000's	2022 %
Banks	66,937	61%	90,619	63%
Central Government	27,228	25%	19,789	14%
Supranationals	15,293	14%	33,136	23%
Total	**109,458**	**100%**	**143,544**	**100%**

Geographic region	2023 £000's	AAA %	AA %	A %
United Kingdom	73,616	-	37%	63%
Europe	10,410	-	50%	50%
Australia	5,110	-	-	100%
Canada	5,029	-	100%	-
Supranationals	15,293	100%	-	-
Total	**109,458**			

Geographic region	2022 £000's	AAA %	AA %	A %
United Kingdom	85,214	-	23%	77%
Europe	10,075	-	100%	-
Canada	15,119	-	100%	-
Supranationals	33,136	100%	-	-
Total	**143,544**			

23. Financial instruments (continued)

The Group's derivative financial instruments are analysed in the table below:

Geographic region	2023 £000's	AA %	A %	2022 £000's	AA %	A %
United Kingdom	13,127	12%	88%	22,272	9%	91%
Europe	7,571	-	100%	13,034	-	100%
Total	**20,698**			**35,306**		

There are no impairment charges against any of the Group's treasury assets at 31 December 2023 or 31 December 2022.

b) Loans and advances to customers

All mortgage loan applications are assessed with reference to the Group's Board approved retail credit risk appetite statement and Retail Credit Risk Policy and are assessed for potential fraud risk. When deciding on the overall risk appetite that the Group wishes to adopt, both numerical and non-numerical considerations are taken into account, along with data on the current UK economic climate and competitor activity. The lending portfolio is monitored by the Credit Risk Forum and the Board Risk Committee to ensure that it remains in line with the stated risk appetite of the Group, including adherence to the lending principles, policies and lending limits.

For new customers, the Society relies upon adherence to its Retail Credit Risk Policy to determine the credit quality of potential customers. Prior to making loan offers, applications are stress tested using the Society's affordability model. This approach, combined with the use of credit checks, is used to confirm the credit quality of all new applicants. For existing customers who subsequently apply for additional lending, the same process is adopted. All mortgage applications are overseen by the Mortgage Underwriting team who ensure that all information submitted within the application is validated and loans are approved in line with appropriate mandate levels.

For existing customers who already have mortgages with the Society, ongoing creditworthiness is determined through close monitoring of mortgage accounts. In addition, monitoring takes place to ensure the Society adheres to a range of operational lending limits, designed to meet the Society's risk appetite as set by the Board.

Credit risk management information is circulated to the Credit Risk Forum on a monthly basis to ensure that the portfolio remains within the Group's risk appetite. It is the Group's policy to ensure good customer outcomes and lend responsibly by ensuring at the outset that the customer can meet the mortgage repayments. This is achieved by obtaining specific information from the customer concerning income and expenditure but also external credit reference agency data. The Group does not have any exposure to the sub-prime market. The maximum credit risk exposure is disclosed in the table on page 86. Loans and advances to customers are predominantly made up of retail loans fully secured against UK property of £996m (2022: £916m) split between residential and buy to let loans. The Group operates in England and Wales with the portfolio well spread throughout the geographic regions. There are no material differences between Group and Society.

An analysis of the Group's geographical concentration, gross of provisions, is shown in the table below:

		Group			
Geographic region	Note	2023 £000's	2023 %	2022 £000's	2022 %
West Midlands		177,236	19%	170,478	20%
North		180,706	18%	166,992	18%
London		190,174	19%	160,128	17%
East Midlands		104,490	10%	101,217	11%
South West		90,831	9%	86,092	9%
Outer South East		90,082	9%	82,421	9%
Yorkshire & Humberside		80,733	8%	76,483	8%
Wales and Northern Ireland		49,988	5%	43,533	5%
East Anglia		31,709	3%	28,889	3%
Total		**995,949**	**100%**	**916,233**	**100%**
Other loans (see below)		157		159	
	13	**996,106**		**916,392**	

Other loans represent commercial loans secured on land.

23. Financial instruments (continued)

Retail loans

Loans fully secured on residential property are split between residential and buy to let. The split of the loan book between buy to let and residential, interest only and repayment is shown below:

	2023	2022
Repayment – Residential mortgage	65%	64%
Interest Only – Residential mortgage	8%	8%
Repayment – Buy to Let	3%	4%
Interest Only – Buy to Let	24%	24%

The average loan to value (LTV) is the weighted average LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of collateral held, at origination, adjusted by a house price index.

The average LTV of residential mortgages is 44% (2022: 40%). All residential loans above 80% (2022: 80%) LTV are insured.

Further LTV information on the Group's residential mortgage portfolio is shown below:

	Group	
LTV analysis	**2023 %**	**2022 %**
Residential		
0% - 30%	13%	15%
30% - 60%	33%	39%
60% - 80%	30%	29%
80% - 90%	11%	8%
90%-100%	13%	9%
>100%	-	-
Average loan to value of residential mortgage loans	**44%**	**40%**

	Group	
LTV analysis	**2023 %**	**2022 %**
Buy to Let		
0% - 30%	7%	8%
30% - 60%	66%	73%
60% - 80%	26%	19%
80% - 90%	1%	-
90%-100%	-	-
>100%	-	-
Average loan to value of buy to let mortgage loans	**46%**	**44%**

The quality of the Group's retail mortgage book is reflected in the number and value of accounts in arrears, by value this is 0.56% (2022: 0.43%), of which only 0.16% (2022: 0.11%) is greater than three months in arrears.

The main factor for loans moving into arrears tends to be lifestyle events that are specific to the borrower.

23. Financial instruments (continued)

The table below provides information on retail loans by payment due status:

Arrears analysis	**2023 £000's**	**2023 %**	**2022 £000's**	**2022 %**
Not impaired				
Neither past due or impaired	990,531	99.4%	912,490	99.6%
Past due up to three months but not impaired	3,970	0.4%	2,878	<=0.1%
Impaired				
Past due three to six months	1,046	<=0.1%	172	<=0.1%
Past due six to 12 months	338	<=0.1%	198	<=0.1%
Past due over 12 months	221	<=0.1%	654	<=0.1%
Total	**996,106**	**100%**	**916,392**	**100%**

Value of collateral held	**2023 Indexed £000's**	**2023 Unindexed £000's**	**2022 Indexed £000's**	**2022 Unindexed £000's**
Neither past due or impaired	2,230,657	1,883,753	2,212,572	1,753,497
Past due up to three months but not impaired	8,108	6,706	7,753	5,492
Past due over three months and impaired	3,611	2,651	1,967	1,464

The collateral consists of residential property. Collateral values are adjusted by the Nationwide price index to derive the indexed valuation at 31 December. This takes into account regional data across 13 regions of the UK. The Group uses the index to update the property values, at origination, of its residential and buy to let portfolios on a quarterly basis.

Mortgage Indemnity Guarantee (MIG) insurance acts as additional security. For mortgage applications from 1 December 2017, MIG has been taken out for all residential loans where the borrowing exceeded 80% of the value of the property at the point of application, for a 7 year time period. The Society has the option to purchase a further 3 years, if required.

The status 'past due up to three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated.

The amount included is the entire loan amount rather than just the overdue amount. The status past due over three months and impaired includes assets where an individual provision has been allocated where appropriate.

At 31 December 2023 and 31 December 2022, the Group and Society had no properties in possession.

Forbearance

Interest only concessions are offered to customers in financial difficulty on a temporary basis with formal periodic review. The concession allows the customer to reduce monthly payments to cover interest only, and if made, the arrears status will not increase.

Arrangement payment plans are agreed to enable customers to reduce their arrears balances by an agreed amount per month which is paid in addition to their standard monthly repayment.

Loan terms can be extended to allow customers additional time to fully repay their loans.

Capitalisations occur where arrears are added to the capital balance outstanding for the purposes of re-structuring the loan, allowing the customer to repay the arrears over the remaining term of the loan.

All forbearance arrangements are formally discussed and agreed with the customer. By offering customers in financial difficulty the option of forbearance, the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period.

All forbearance arrangements are reviewed and monitored on a monthly basis to assess the ongoing potential risk, suitability and sustainability to the Society. The level and different types of forbearance activity are reported to the Credit Risk Forum on a monthly basis.

23. Financial instruments (continued)

The table below details the number of forbearance cases within the 'Not impaired' category:

Type of forbearance	31 December 2023 Number	31 December 2022 Number
Reduced payment including interest only concessions	8	7
Arrangements	7	5
Payment holidays	17	16
Total	**32**	**28**

In total £4.6m (2022: £3.4m) of loans are subject to forbearance. There is a requirement for a collective impairment allowance in 2023 of £15k (2022: £5k) in relation to forborne accounts.

Liquidity risk

Liquidity risk is the risk that the Society is unable to meet its financial obligations as they become due, resulting in an inability to support normal business activity or a failure to meet liquidity regulatory requirements.

Stress tests are undertaken to measure the Society's ability to meet adverse cash flows on a regular basis. This activity is overseen by the ALCO. The Society also complies with the rules issued by the Prudential Regulation Authority concerning the quality of liquid assets held by banks and building societies. As a consequence, the Society held £177m at 31 December 2023 (2022: £152m) on deposit with the Bank of England to ensure ready access to liquid funds should the need arise.

The table below sets out the maturity analysis for financial liabilities showing the remaining contractual maturities at undiscounted amounts separated between derivative and non-derivative financial liabilities. This is not representative of the Group's management of liquidity as retail deposits repayable on demand generally remain on balance sheet much longer.

31 December 2023	Repayable on demand £000's	Not more than three months £000's	More than three months but not more than six months £000's	More than six months but less than one year £000's	More than one year but not more than five years £000's	More than five years £000's	Total £000's
Shares	706,960	36,592	33,099	156,330	176,008	-	1,108,989
Amounts owed to credit institutions	18,550	1,442	1,427	2,885	114,230	-	138,534
Amounts owed to other customers	7,555	-	-	-	-	-	7,555
Derivative financial instruments	-	(26)	(54)	165	4,518	-	4,603
Total liabilities	**733,065**	**38,008**	**34,472**	**159,380**	**294,756**	**-**	**1,259,681**

31 December 2022	Repayable on demand £000's	Not more than three months £000's	More than three months but not more than six months £000's	More than six months but less than one year £000's	More than one year but not more than five years £000's	More than five years £000's	Total £000's
Shares	766,505	27,263	29,141	95,396	87,071	-	1,005,376
Amounts owed to credit institutions	34,622	776	941	1,923	116,312	-	154,574
Amounts owed to other customers	11,633	-	-	-	-	-	11,633
Derivative financial instruments	-	211	118	89	1,057	-	1,475
Total liabilities	**812,760**	**28,250**	**30,200**	**97,408**	**204,440**	**-**	**1,173,058**

23. Financial instruments (continued)

Market risk

Market risk is the risk of changes to the Society's financial performance and condition caused by movements in market interest rates. The Society is exposed to market risk in the form of changes (or potential changes) in the general level of interest rates, changes in the relationship between short and long-term interest rates and divergence of interest rates for different balance sheet elements (basis risk).

The Society hedges interest rate risk by hedging its exposure to fixed mortgage lending tranches. Overall interest rate risk is managed through a behavioural maturity gap analysis. The maturity profile is subjected to a series of stress tests reflecting changes in interest rates on a monthly basis and the results are measured against the risk appetite and operating limits. The Society's exposure to a 2% change in interest rates was 1.5% of capital (£1,198k) on a net present value basis and £0.3m on profit at 31 December 2023 (2022: 1.1%, £886k, £1.2m). In addition, interest rate basis risk is controlled by a Board approved risk appetite. Both are reported to the monthly ALCO meeting and to the Board.

Derivative financial instruments

The Society uses derivatives to assist in its management of interest rate risk. Interest rate swaps are used to hedge exposure to changes in fair value exposure to market interest rates on fixed rate loans and advances and fixed rate savings bonds. The fair values of derivatives designated as fair value hedges are as follows:

	2023 Assets £000's	2023 Liabilities £000's	2022 Assets £000's	2022 Liabilities £000's
Instrument type:				
Interest rate swaps	20,698	4,195	35,306	1,241
Total	**20,698**	**4,195**	**35,306**	**1,241**

Capital structure

The Society's policy is to maintain a strong capital base to sustain member, creditor and market confidence and to support the future development of the business. The Society's actual and expected capital position are reviewed against a stated risk appetite which aims to maintain capital at a minimum level above the Total Capital Requirement (TCR) provided by the PRA. The formal annual Internal Capital Adequacy Assessment Process (ICAAP) assists the Society with its capital management and capital levels are subject to regular stress tests to ensure the Society maintains sufficient capital to protect itself against possible future loss events.

The Board manages the Society's capital and risk exposures to maintain capital in excess of regulatory requirements which includes monitoring of:

- Lending decisions – The Society's lending policy is closely monitored by Credit Risk Forum to ensure it aligns with the Society's risk appetite.
- Pricing – Pricing models are utilised for all residential mortgage products. The model includes expected return and capital utilisation enabling the calculation of a return on capital.
- Concentration risk – The design of both mortgage products takes into account the overall mix of products to ensure that concentration levels are maintained within the Society's risk appetite.
- Counterparty risk – Deposits are only placed with approved counterparties in line with the Society's Treasury Policy Statement and are subject to a range of limits. The limits are monitored daily to ensure the Society remains within risk appetite.

There were no breaches of capital requirements or material changes to the Society's management of its capital during the year.

The Society is required to set out its capital position, risk exposures and risk assessment processes in the Pillar 3 disclosures document. This can be found on our website.

23. Financial instruments (continued)

	2023 £000's	2022 £000's Restated*
Common Equity Tier 1 (CET1)		
General and other capital reserves	79,640	76,305
Prudent valuation adjustment	(110)	(146)
Pension asset	-	-
Intangible assets	(2,092)	(1,740)
	77,438	**74,419**
Tier 2 capital		
Collective provision	488	488
Total regulatory capital	**77,926**	**74,907**
Risk Weighted Assets (unaudited)	437,020	410,546
Capital ratios (unaudited)		
CET1 ratio	17.7%	18.1%
Total capital ratio	17.8%	18.2%
Leverage ratio	6.8%	6.8%

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24

24. Retirement benefit obligations

The Society operates a defined benefit pension scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation is carried out every three years.

The most recent completed actuarial valuation was at 24 April 2021 and finalised during 2022, showed a deficit of £1,011k. The Society agreed with the trustees that it would aim to eliminate the deficit over 2023 and 2024 with additional monthly payments of £41,666 per month until 31 May 2024.

The results of this valuation were used to produce the accounting valuation below at 31 December 2023. In accordance with the actuarial valuation, the Society has agreed with the trustees that it will meet expenses of the Scheme and levies to the Pension Protection Fund, the costs for which are included within other administrative expenses in Note 6. The Scheme is closed to accrual, but remains salary linked to accrued benefits, with effect from 24 April 2013.

The valuation disclosed in these accounts is carried out by a qualified actuary, independent of the Scheme's sponsoring employer to take account of the actuarial method and assumptions required by section 28 of FRS 102. The majority of assumptions used by the actuary are shown on page 96.

During 2023 an error was identified in accounting for the retirement benefit obligation in 2022 which gave rise to a double counting of benefits paid of £606k in 2022. As such the 2022 results have been adjusted to correct for the error by increasing the present value of scheme liabilities by £606k (and reducing benefits paid as originally presented by this amount), increasing the associated deferred tax asset position by £151.5k. The correction of the error has also given rise to a consequential charge of £454.5k in other comprehensive income. There has been no change to the income statement result or total assets. The figured below set out the impact of the adjustments for the correct benefits payment in 2022. In addition, the value of the insured assets and insured liabilities were overstated in 2022 by equal amounts of £824k. This did not impact the balance sheet position given the assets and liabilities offset each other. This has also been corrected in the below restated figures.

Statement of Financial Position:	2022 £000's	Adjustment £000's	2022 £000's (As Restated
Fair value of scheme assets	23,648	(824)	22,824
Present value of scheme liabilities	(25,823)	218	(25,605)
(Deficit) in scheme	**(2,175)**	**(606)**	**(2,781)**
Deferred Tax (liability)	**32.2**	**(151.5)**	**(119.3)**
General Reserves	**76,117**	**(454)**	**75,663**
Statement of Other Comprehensive Income:			
Actuarial loss on defined benefit obligation	**3,314**	**606**	**3,920**

24. Retirement benefit obligations (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2023 £000's	2022 £000's Restated*
Fair value of scheme assets	22,963	22,824*
Present value of scheme liabilities	(25,734)	(25,605)*
Deficit in scheme	**(2,771)**	**(2,781)**

Reconciliation of opening and closing balances of the defined benefit obligation

	2023 £000's	2022 £000's Restated*
Defined benefit obligation at start of year	25,605	40,947
Current service cost	-	-
Interest expense	1,171	726
Actuarial loss/(gain)	153	(14,860)
Benefits paid and expenses	(1,195)	(1,208)
Losses due to benefit changes	-	-
Defined benefit obligation at end of year	**25,734**	**25,605**

Reconciliation of opening and closing balances of the fair values of scheme assets

	2023 £000's	2022 £000's Restated*
Fair value of scheme assets at start of year	22,824	42,066
Interest income	1,044	746
Return on plan assets (excluding amounts included in net interest cost)	(168)	(18,780)
Contributions by Society	458	-
Benefits paid	(1,195)	(1,208)
Scheme assets at end of year	**22,963**	**22,824**

The actual return on the plan assets during the year ended 31 December 2023 was £876k (2022: £18,034k*).

Total defined benefit costs recognised in the Income Statement

	2023 £000's	2022 £000's
Current service cost	-	-
Net interest on the definded benefit (asset)/liability	(127)	20
Losses due to benefit changes	-	-
Defined benefit cost recognised in profit and loss account	**(127)**	**20**

Defined benefit costs recognised in Other Comprehensive Income

	2023 £000's	2022 £000's Restated*
Return on plan assets in excess of interest income	168	18,780
Actuarial loss/(gain)	153	(14,860)
Total amount recognised in Other Comprehensive Income – loss	**321**	**3,920**

Assets	2023 £000's	2022 £000's
Quoted Market Price:		
Multi asset credit funds	950	563
Corporate bonds	1,056	1,131
Diversified growth funds	1,355	1,471
Liability driven investment funds	8,044	7,837
Other	327	96
	11,732	11,098
No Quoted Market Price:		
Insured pensioners	11,231	11,726
Total	22,963	22,824

The Society has insured some member benefits relating to certain pensioner members where by the pension scheme liabilities are settled via an insurance policies. The majority of the insured members were insured in 2014. None of the fair values of the assets shown above include any direct investments in the Society's own financial instruments or any property occupied by, or other assets used by, the Society.

Assumptions	2023 % per annum	2022 % per annum
Rate of discount	4.50	4.65
Retail Price Index inflation	3.05	3.15
Consumer Price Index inflation	2.55	2.65
Salary growth	4.05	4.15
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.55	2.65
Allowance for pension payment increases of RPI or 5% p.a. if less	2.85	2.85
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	1.85	1.8
Allowance for commutation of pension for cash at retirement	80% of Post A Day on current factors	80% of Post A Day on current factors

The mortality assumptions adopted at 31 December 2023 imply the following life expectancies:

Male retiring at age 60 in 2023	25.8 years (2022: 26.3 years)
Female retiring at age 60 in 2023	28.4 years (2022: 28.9 years)
Male at age 60 in 2043	27 years (2022: 27.4 years)
Female retiring at age 60 in 2043	29.5 years (2022: 30.1 years)

The Society has agreed to pay the insurance premium for death in service benefits.

Mortality assumptions are based on publicly available mortality tables for the UK. The choice of weighting to apply to data relating to 2020 through to 2022 is clearly a complex area and requires judgements to be made. The UK has continued to see the impact of the pandemic over 2022 and 2023 with significant excess deaths compared to pre-pandemic levels, an adjustment has been made to the mortality assumption via the adoption of a non-default 2020, 2021 and 2022 weight parameter of 10% above the core weight parameter. This is broadly equivalent to assuming mortality rates are 5% heavier than 2019, remain constant for the following 5 years, and then improve in line with the 2022 core model from 2028.

25. Cash and cash equivalents

	Group 2023 £000's	Group 2022 £000's Restated*	Society 2023 £000's	Society 2022 £000's Restated*
Cash in hand and balances at Bank of England	178,027	152,769*	178,027	152,769*
Loans and advances to credit institutions	10,703	10,403	10,670	10,347
At 31 December	188,730	163,172	188,697	163,116

*The mandatory cash ratio deposit held with the Bank of England has been reclassified from cash and cash equivalents to other assets. This gives rise to no change in total assets or general reserves but has led to a reduction in cash and cash equivalents of £1,135k and an increase in cash flows from operating activities of the same amount on the statement of cash flows.

26. General reserve

	Group 2023 £000's	Group 2022 £000's Restated*	Society 2023 £000's	Society 2022 £000's Restated*
At 1 January	75,663	70,869	75,608	70,798
Profit for the financial year	3,088	7,734	3,096	7,750
Net (loss) recognised directly in Other Comprehensive Income	(241)	(2,940)*	(241)	(2,940)*
At 31 December	78,510	75,663*	78,463	75,608*

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24.

The general reserves along with the revaluation reserve and available for sale reserve constitute the Society's Tier 1 Capital for regulatory purposes.

27. Revaluation reserve

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
At 1 January	988	984	988	984
Tax on revaluation reserve from changes in land and buildings	4	4	4	4
At 31 December	992	988	992	988

The revaluation reserve arises because until 31 December 1999, the Society revalued properties annually. From 31 December 2000, the Society adopted the transitional arrangements under FRS15 to maintain the book value of fixed assets at their previously revalued amounts. The resultant potential gain results in a capital gain for deferred tax purposes which is recognised under FRS 102.

28. Available for Sale reserve

	Group 2023 £000's	Group 2022 £000's	Society 2023 £000's	Society 2022 £000's
At 1 January	(346)	31	(346)	31
Net gain/(losses) from changes in fair value	484	(377)	484	(377)
At 31 December	138	(346)	138	(346)

29. Country by Country Reporting

Nature of the Society's activities

Leek Building Society's principal activity is the provision of mortgage and savings products as well as access to general insurance and financial services broking services. A list of all entities consolidated as part of the Society's results and their principal activities are set out below. All business is conducted within the United Kingdom.

Group member	Activity
Leek United Building Society	Provision of mortgage and savings products. Access to general insurance and financial services broking services.
Leek United Home Loans Limited (Wholly owned subsidiary of Leek United Building Society)	Purchase and administration of mortgage portfolios. No purchases of portfolios have taken place in the last ten years and none are planned.
Leek United Financial Services Limited (Wholly owned subsidiary of Leek United Building Society)	Provision of financial services up until 30 September 2016. Dissolved on 26 September 2023

Total turnover, profit before tax and average number of employees

Total turnover for the year ended 31 December 2023 was £21,111k (2022: £17,842k). Total turnover is defined as net interest income plus fees and commissions receivable (net of fees and commissions payable).

Profit before tax for the year ended 31 December 2023 was £4,097k (2022: £9,594k). Corporation tax paid during the year ended 31 December 2023 was £1,812k (2022: £395k).

All turnover, profits and tax resulted from business conducted in the United Kingdom.

The average monthly number of employees on a full-time equivalent basis during the year ended 31 December 2023 was 182 (2022: 187).

Public subsidies received

The Society received no public subsidies in the year ended 31 December 2023 (2022: nil).

Independent auditors' report to the directors of Leek United Building Society

Report on the audit of the country-by-country information

Opinion

In our opinion, Leek United Building Society's country-by-country information for the year ended 31 December 2023 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 December 2023 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Society in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the basis of preparation note of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- A risk assessment to identify critical factors that could impact the going concern basis of preparation, including the current and forecast financial performance and regulatory metrics. As part of our risk assessment we reviewed and considered the Society's strategic plan, ICAAP and ILAAP, regulatory correspondence and management reports provided to key governance forums.
- Evaluating the reasonableness of the Society's strategic plan, including evaluating the reasonableness of key scenarios and performing sensitivity analysis using our understanding of the Society and its financial performance obtained during the course of our audit. We also considered management's ability to accurately forecast financial performance by comparing past forecasts to actual results;
- Critically evaluating the directors' conclusions in their own going concern assessment. This included the impact of stress testing results. We considered whether the Society would continue to operate above required regulatory capital and liquidity minima during times of stress; and
- Evaluating management's disclosures in the Annual Report and checking the consistency of the disclosures with our knowledge of the Society based on our audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Society's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation statement to the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this country-by-country information.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Society/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations including, but not limited to, the Financial Conduct Authority's regulations, the Prudential Regulation Authority's regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed included:

- Review of correspondence with the FCA and PRA;
- Testing of significant accounting estimates;
- Testing of journal entries which contained unusual account combinations and other specific risk-based criteria back to corroborating evidence;
- Discussions with management in relation to known or suspected incidents of non-compliance with laws and regulations and fraud; and
- Review of internal audit reports in so far as they related to the annual accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Society's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 February 2024

Annual Business Statement

Annual Business Statement for the year ended 31 December 2023

	2023 %	2022 % Restated*	Statutory limit %
Statutory percentages			
Lending limit	1.27	1.04	25.0
Funding limit	11.14	13.50	50.0

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24 and the reclassification of restricted cash held with the Bank of England to other assets as detailed in note 9.

The above percentages have been calculated in accordance with the Building Societies Act 1986 as amended by the Building Societies Acts 1997 and 2005.

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property. The restated limit for 2022 has increased from 0.91% to 1.04%

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

Business assets are the total assets of the Group plus provision for loan impairment, less fixed assets and liquid assets.

Loans fully secured on residential property is the amount of principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the Group balance sheet plus provision for loan impairment.

Shares and borrowings represent the total of shares, amount owed to credit institutions and amounts owed to other customers as shown in the Group balance sheet.

The amount of shares held by individuals is shown in note 18 of the notes to the accounts.

	2023 %	2022 % Restated*
Other percentages		
Gross capital as a percentage of shares and borrowings	6.50	6.60*
Free capital as a percentage of shares and borrowings	6.03	6.20*
Liquid assets as a percentage of shares and borrowings	24.33	26.54*
Profit on ordinary activities after taxation as a percentage of year end total assets	0.24	0.62
Management expenses as a percentage of mean total assets	1.14	1.07

*2022 has been restated to correct errors in accounting for the retirement benefit obligation (and the associated deferred tax impact) as detailed in note 24 and the reclassification of restricted cash held with the Bank of England to other assets as detailed in note 9.

Gross capital represents the sum of the general reserve, the revaluation reserve and the available for sale reserve as shown in the Group balance sheet. The restated percentage for 2022 has decreased from 6.64% to 6.60%.

Free capital represents the sum of the general reserve, the revaluation reserve, the available for sale reserve and collective loss provision less fixed assets. The restated percentage for 2022 has decreased from 6.25% to 6.20%.

Shares and borrowings represent the total of shares, amounts owed to credit institutions and amounts owed to other customers as shown in the Group balance sheet.

Liquid assets represent the total of cash in hand, loans and advances to credit institutions and debt securities. The restated % for 2022 has decreased from 26.64% to 26.54%.

Mean total assets is the average of the 2023 and 2022 total assets. Management expenses represent the aggregate of administrative expenses and depreciation.

Information relating to Directors as at 31 December 2023

Name/ Date of Birth		Occupation	Date of Appointment	Other Directorships
	**Felicity Bambery** BA, FCA 08/07/1976	Non-Executive Director	27/07/2022	TPT Retirement Solutions Limited (non-statutory) Verity Trustees Limited (non-statutory)
	**Dave Cheeseman** BSc, FIA 01/10/1968	Non-Executive Director	29/04/2021	Holloway Friendly Society Limited Amber River Group
	**Steve Clarke** BA, ACMA 27/11/1976	Building Society Finance Director	30/11/2022	Leek United Home Loans Limited
	**Rachel Court** JP, BA Oxon 27/06/1966	Non-Executive Director	26/11/2014	Invesco Pensions Limited Invesco UK Limited (to 12/12/2023) Invesco Asset Management Limited Leek United Home Loans Limited
	**Andrew Davies** 03/08/1967	Building Society Chief Risk Officer	29/09/2021	Board Trustee of Leek Building Society Charitable Foundation
	**Darren Ditchburn** MSc, AdvCeMAP 25/03/1986	Building Society Deputy Chief Executive	30/06/2022	Leek United Home Loans Limited
	**Andrew Healy MBE** MoB, BSc, Chartered FCIPD 10/11/1966	Building Society Chief Executive	17/12/2018	Leek United Home Loans Limited
	**Jane Kimberlin** BA 25/09/1959	Non-Executive Director	23/11/2016	Creaton Consultants Limited Creaton Community Benefit Society
	**John Leveson** MBA, FCIB 04/09/1959	Non-Executive Director	19/05/2015	H & H Group plc

Documents may be served on the above named Directors c/o Bowcock and Pursail, P.O. Box No.1, 54 St Edward Street, Leek, Staffordshire, ST13 5DJ.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Leek Building Society received the award of Best Building Society 2023 at the British Bank Awards, sponsored by Smart Money People, on 11 May 2023.

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