LEEK Building Society

Annual Report & Accounts 2024

Our Annual Report & Accounts

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Our Performance Highlights

Total Assets
£1.37bn

Regulatory Capital
£80.5m

Underlying Profit Before Tax
£4.2m

Profit Before Tax
£3.8m

Mortgage Balances
£1.1bn

Shares & Deposits
£1.2bn

98.4%
Customer Satisfaction

201
Staff Volunteering days

Over
£150k
Donated to Charities & Community Causes

Explanations for the above terms can be found in the Strategic Report on page 14.

Chair's Statement

RACHEL COURT

As Chair of Leek Building Society, I am delighted to introduce the Annual Report and Accounts for Leek Building Society for the last time as I reach the end of my final term of office shortly before April's AGM. Your Society has continued to perform strongly in a year when challenging macroeconomic conditions persisted. Our mutual values have ensured that we remain focused on you, our members, whilst the continued commitment, enthusiasm and dedication of our colleagues led to the Society delivering a strong performance for all of its stakeholders.

In 2024 we saw robust financial performance, strong risk management standards and high member and colleague satisfaction, whilst also continuing our strategic investment programme which will underpin our success and sustainability for many years to come.

The Society ended the year with a balance sheet in excess of £1.3 billion, record mortgage growth, 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 remained challenging throughout the year, although inflation subsided significantly during 2024, with the Bank of England responding by starting to reduce the base rate in the summer. Cost of living pressures persisted and, in terms of our members' ability to repay their borrowings, interest rates remained relatively high for those on variable rates or for those reaching the end of their fixed rate mortgage term.

"The Society responded in a fair manner for savers by offering a competitive suite of variable and fixed rate savings."

It is encouraging to report that we have seen only marginal increases in mortgage arrears during 2024, 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 2025 as interest rates remain elevated. 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.

Mortgage market activity showed signs of recovery through 2024, with gross lending higher nationally than in 2023, but still well below pre-pandemic levels. This was due in significant part to the higher interest rate environment and the associated affordability challenges faced by borrowers, although the ongoing housing supply shortage saw prices remain more resilient than was anticipated. Against this backdrop, I am very pleased to report that, building on strong growth in 2023, the Society saw a record level of net mortgage lending, demonstrating the strength of our proposition to both borrowers and brokers.

The savings market experienced a range of dynamics during 2024. Cost of living pressures saw some customers draw down their savings to support everyday spending; whilst 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. At Leek, we are committed to offering a wide range of products to suit our Members' needs, and we launched new products during the year to enhance customer choice including a new notice saver account. We also worked to improve financial education in our communities, including supporting financial education in schools via the Young Enterprise initiative.

"We also worked to improve financial education in our communities, including supporting financial education in schools via the Young Enterprise initiative"

Usage of our online platform, Leek Online, continues to grow. This is both an alternative channel to access Leek savings products for Members in our heartland and a way of attracting Members outside of our heartland, where branch access isn't an option. In 2024, we also implemented a new mortgage platform, which is performing well, and enables a significantly improved mortgage application experience for our new borrowers and our broker partners.

2024 has been a year of great change and transition at the Society. In July 2024, Andrew Healy MBE, our Chief Executive for the past five years, stood down after a very successful tenure that included delivery of a multi-faceted transformation programme to modernise the Society, resulting in flexible new IT infrastructure, digital savings and mortgage platforms, remodelled branches and new products and services. Andrew was succeeded by Andrew Deeks, an established Executive Director with many years' experience in Building Societies and in the wider financial services sector. I'm confident that Andrew will continue to pursue the journey of growth and modernisation that we've embarked on.

There were also a number of other changes to our Board through 2024. Our Chief Risk Officer, Andrew Davies signalled his intention to retire at the end of the year, and following a robust recruitment process, Marco Ruberto replaced Andrew at the start of 2025. Andrew Davies has been instrumental in building a strong risk culture at the Society, ensuring that our strong performance and transformation has not come at the expense of risk management standards, and Marco will ensure that those high standards are maintained going forwards.

Our Deputy Chief Executive, Darren Ditchburn was successful in being appointed as Chief Executive Officer of the Vernon Building Society during the year and left the Society in December 2024. Darren successfully led the implementation of much of our transformation work over the last few years and we wish Darren all the very best in his new role. Darren's responsibilities have been re-distributed across a re-shaped Senior Management team, including wider responsibilities for Steven Clarke, our Finance Director, who began a new role as Chief Financial Officer in December 2024, and the introduction of a new Distribution Director role.

John Leveson, Non-Executive Director and Chair of Board Remuneration Committee, retired from the Board in April 2024 when his tenure came to an end, with Jane Kimberlin taking over as Chair of Board Remuneration Committee. Following an extensive recruitment process, John Gibson joined our Board as a Non-Executive Director in January 2024, following a distinguished Executive career in the building society sector.

I, too, am retiring from the Board in April 2025 after reaching the end of over ten years as a Non-Executive Director of the Society, the last nine of them as Chair. After a very thorough recruitment process, I am pleased to announce that John Gibson has been appointed as my successor as Chair. John's contributions over the last year since joining the Board have been outstanding and with his vast experience in the sector, I have every confidence that John will help take the Society on the next stage of its growth and development.

To maintain five Non-Executive Director positions following the transition of the Board Chair role, a further recruitment process has been undertaken, resulting in the appointment of Pak Chan, an experienced commercial Director in the retail banking and finance sector. Pak will join the Board in March 2025.

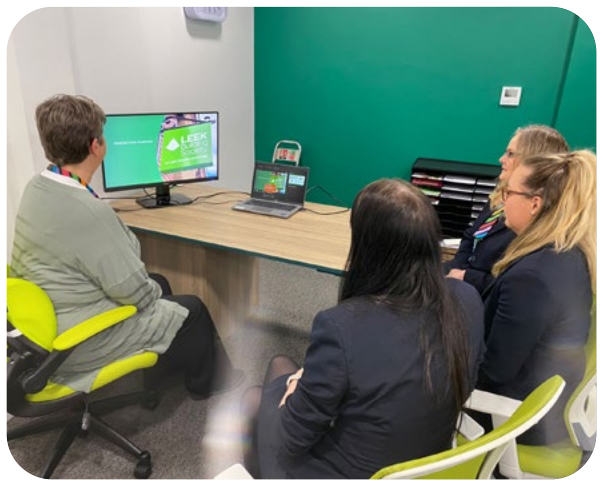
Your Society has grown and strengthened immensely since I joined the Board of Leek Building Society in November 2014 and I would like to take this opportunity to thank all the many outstanding colleagues, directors, partners and members who have supported us through this transformation. I have been proud to be the Chair of such a fantastic organisation, which truly lives up to its values, and I'm delighted to leave the Society in great hands.

I wish you all prosperity, good health and happiness throughout 2025 and the years ahead, and look forward to seeing the Society continue to go from strength to strength.

Rachel Court
Chair
4 March 2025

Making a positive difference to our colleagues' lives

At Leek Building Society, our people are the foundation of everything we achieve. Supporting our colleagues' growth, health, and happiness is not just a responsibility; it's at the heart of who we are. Over the past year, we've focused on several key areas to make a meaningful impact on their lives.



Investing in growth

We're committed to helping every colleague reach their full potential by creating pathways for career progression, ensuring every individual feels empowered to grow within the Society. In 2024, we:

- Delivered a broad range of training through workshops, e-learning courses, and leadership development programmes.
- Supported professional qualifications for colleagues, providing financial assistance and study time to further their careers.

Belonging

We believe a diverse and inclusive workplace enriches our culture and drives better decision-making. Over the past year, we've:

- Introduced Menopause awareness sessions and been Menopause accredited.
- Enhanced our recruitment processes to attract and retain talent from underrepresented groups.
- Celebrated cultural awareness days and heritage months, creating opportunities for education and connection among colleagues.

Prioritising wellbeing

The wellbeing of our colleagues is a top priority and empowers our teams to thrive both professionally and personally. We've expanded our support with initiatives that include:

- Providing access to OpenUp.
- Hosting wellbeing events such as men's mental health sessions, football tournaments and yoga sessions.
- Enhancing flexible working arrangements, recognising the importance of balancing work and personal life.

Keeping colleagues connected

Over the past year, we've improved our internal communications to ensure every colleague feels informed and engaged in the Society's journey.

- We launched a new platform to streamline information sharing and keep colleagues updated.
- We introduced monthly team building days to encourage open dialogue.

Chief Executive's Review

ANDREW DEEKS

2025 marks the 250th anniversary of the world's first ever building society, Ketley's Building Society in Birmingham.

Whilst the world has changed immeasurably since 1775, the purpose of a building society is largely unchanged. We still exist to help borrowers buy homes, doing so by providing an attractive place for savers to invest, and where both savers and borrowers own the organisation without any external shareholders.

I'm proud to have become Chief Executive of Leek Building Society in August this year, a true 'modern mutual' with a proud history of serving both borrowing and saving members, now fit for the 21st Century with its roots firmly in Leek and surrounding areas, but with digital technology helping attract members all over the country. I'm grateful to my predecessor, Andrew Healy MBE, for the strong foundations which I inherit, the Board for giving me this opportunity and my colleagues for striving every day to make this the best organisation it can be.

Despite continued challenging economic and market conditions, I'm proud to report another year of strong performance by the Society. 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.

Record Mortgage Lending

Mortgage balances grew by 11% to £1,092m (2023: £984m) due to a record level of net lending of £105m (2023: £80m). This growth, which was higher than the market overall, was driven by both strong demand for new loans and high retention levels among existing customers, both enabled by our excellent product and service proposition. In 2024, we launched a new proposition to enable reduced rate mortgages on new build properties, helping more first-time buyers to get on to the housing ladder by making owning their home more affordable.

High Quality Mortgage Book

Our mortgage book continues to be of high quality with arrears levels significantly below the market overall. Indeed, mortgage accounts which are in arrears by the equivalent of three or more monthly repayments represented just 0.20% of our book at the year end. Of course, there remains a heightened risk of increased arrears in the future given the pressure from both interest rates and inflation and we remain vigilant. However, we believe our prudent lending policy, supported by our experienced colleagues in underwriting, will continue to provide a significant shield against these impacts. We review every mortgage case on an individual basis and cover all lending above 80% loan-to-value with mortgage indemnity insurance.

Strong Savings Growth

Savings balances grew by 9% to £1,200m (2023: £1,097m). We continued to offer a competitive range of savings accounts and offered rates to existing members that were at least equivalent to those on offer to new members.

> "We continued to offer a competitive range of savings accounts and offered rates to existing members that were at least equivalent to those on offer to new members"

We launched 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 since 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. Coupled with our twelve-strong branch network, which we finished refurbishing in 2023, we're proud to provide members with a range of face-to-face and digital channels, including access to cash on the high street where many banks are closing branches.

Supporting Members

The Bank of England base rate reduced in the year from 5.25% to 4.75% and we worked hard to balance the impact on mortgage customers with maintaining competitive fixed and variable rate products for savings members. With no external shareholders, our objective is only to support 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.

We continue to be a signatory of 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. Our

website contains a range of resources to help members who are concerned about their finances. We also partnered with national charity, Young Enterprise, in 2024 to deliver financial education in each of the eleven towns where we have a branch and have delivered education to more than 400 school children to date.

Investing in the Future

I've already mentioned our investment in our branch network and Leek Online for saving members and we continue to invest in a range of technology, process and facilities enhancements. In 2024, we launched a new digital mortgage platform, significantly enhancing the application process for both borrowers and brokers. We have been delighted with feedback to date and will continue to develop this platform. We also invested in our risk management infrastructure, implementing new systems to further improve both financial control and operational risk management. We will continue to invest in the coming years to improve services for existing members, both saving and borrowing, and attract new members to the Society.

Robust Profit

We do not seek to maximise profits, as evidenced through our measured approach to base rate movements and their impact on member product pricing, but it is in the interests of the Society's long-term competitiveness and sustainability that sufficient profits are generated to maintain our financial resilience and to ensure there is ongoing investment in our business. In 2024, Underlying Profit was £4.2m (2023: £6.4m) with the year-on-year reduction primarily due to lower net interest margin as a result of decreases in the Bank of England base rate, the increases of which inflated 2023 performance, though also reflecting greater investment. Profit Before Tax was £3.8m in 2024 (2023: £4.1m).

Delivering Great Customer Service

Whilst I only joined the Society in August 2024, I have already seen the difference my colleagues make to Members, delivering both outstanding customer service and strong financial performance. Our overall service score for 2024, as measured by the independent Smart Money People organisation, was 98.4%, which compares favourably with peers. Our Net Promoter Score, is a widely used measure of whether people would recommend us to their family, friends and colleagues, was also very positive at 91.4, which remains in line with the previous year.

During 2023, 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. We continue to align to the principles outlined in Consumer Duty, ensuring our products 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 have one of our Non-Executive Directors, David Cheeseman, as our Board Consumer Duty Champion.

Engaging with Members

Communicating effectively with our members and acting on feedback is extremely important to us. 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.

Creating a First Class Workplace

We fully recognise the importance of our people 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.

Our focus on our colleagues was recognised in the Top 100 Global Most Inspiring Places to Work, with us being rated eighth in the UK & Ireland, with special recognition awards for employee experience, voice and culture. We were also a finalist for responsible business of the year at the Staffordshire Chamber of Commerce awards, demonstrating our recognition through global and local lenses.

> **Our focus on our colleagues was recognised in the Top 100 Global Most Inspiring Places to Work"**

We continue to offer a strong employee proposition that goes beyond financial reward, evidencing our deep ongoing commitment to staff welfare and to supporting our people.

Funded health screenings, a workplace savings scheme and access to leading mental health resources ensure our proposition balances multiple aspects of employee wellbeing. In 2024, we gained accreditation as a Menopause Friendly organisation, with staff training to help build broader awareness for our colleagues and members.

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. Our staff EDI Forum is made up of a diverse range of colleagues from across our business.

Supporting our Local Community

Core to the Society's purpose is to be socially responsible and to make a positive difference to the local community. During 2024, we supported a broad range of local community groups, charities and organisations. I'm proud to report that we donated £150,000, including funds generated by members through our affinity savings accounts, and remain on track to reach our £500,000 target by 2027. Furthermore, our staff also provided 201 days of local community volunteering, ensuring we support with time as well as money.

> **During 2024, we supported a broad range of local community groups, charities and organisations. I'm proud to report that we donated £150,000"**

Our Charitable Foundation, has gone from strength to strength, helping us to increase the scale and scope of our charitable giving. Its primary function is to provide grants of between £500 and £5,000 to local charities and community groups and during the year, £36,715 was donated to a number of worthy causes.

We are now one year into the landmark partnership with AEDdonate which will see 100 life-saving defibrillators installed in our heartland areas over the next four years. At the end of 2024, 34 defibrillators have been installed, including one which has already been used for an emergency.

Further details on our Environmental, Social and Governance (ESG) strategy and actions can be found in the ESG Report on page 20.

Thank You

I join the organisation at a time when the Society has gone from strength to strength, and this performance has been delivered through the commitment and capability of our colleagues. I would like to thank all my colleagues for their contribution to business performance, for consistently living our organisation's values and for holding high standards of service and risk management. As this report clearly demonstrates, this has been done whilst also making a positive difference to the lives of our members, colleagues and the local community.

To our loyal members, I would also like to say thank you for your continued support. 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 and I am honoured and excited to take the Society on the next stage of its evolution.

Andrew Deeks
Chief Executive
4 March 2025

Positively impacting our members

We work hard to protect members and enhance the level of customer service we offer.

Consumer Duty
In response to the Consumer Duty regulations that were introduced by the Financial Conduct Authority in 2023, the Society took the decision to review all customer-facing communications to ensure we were communicating to you effectively. We hope that our members feel that any contact we have with them is clear, fair and easy to understand.

Confirmation of Payee
With more of our members banking online and making digital payments, the risk of sending money to the wrong account—either by mistake or due to fraud—has increased. In 2024, we embarked upon our Confirmation of Payee (CoP) project offering members a service we now which checks the details of your account when making a payment.

Confirmation of Payee helps to protect you by alerting you if an account name doesn't match, or if you accidentally enter incorrect details, giving you the chance to amend them before a payment is made.

Authorised Push Payment (APP) Fraud
In October 2024, Authorised Push Payment (APP) fraud regulation was introduced to address the type of scam where someone is tricked into making a payment to a fraudster.
With this new regulation in force, the Society is proud to continue to investigate any payments suspected of fraud or dishonesty.

We introduced Uinsure to provide a better insurance offering

"I had a phone call from Uinsure who professionally gave me a quote on my home insurance when it was at a convenient day and time for me."

During 2024 **2,491** members have joined Leek Online

"Great customer service, savings account was so easy to set up. Easy to check online."

Quotes from Smart Money People - Customer Insight reports

Smart money people

Overall customer rating **98.4%**[1]

91.4
Net Promoter Score
Our measure of customer service[2]

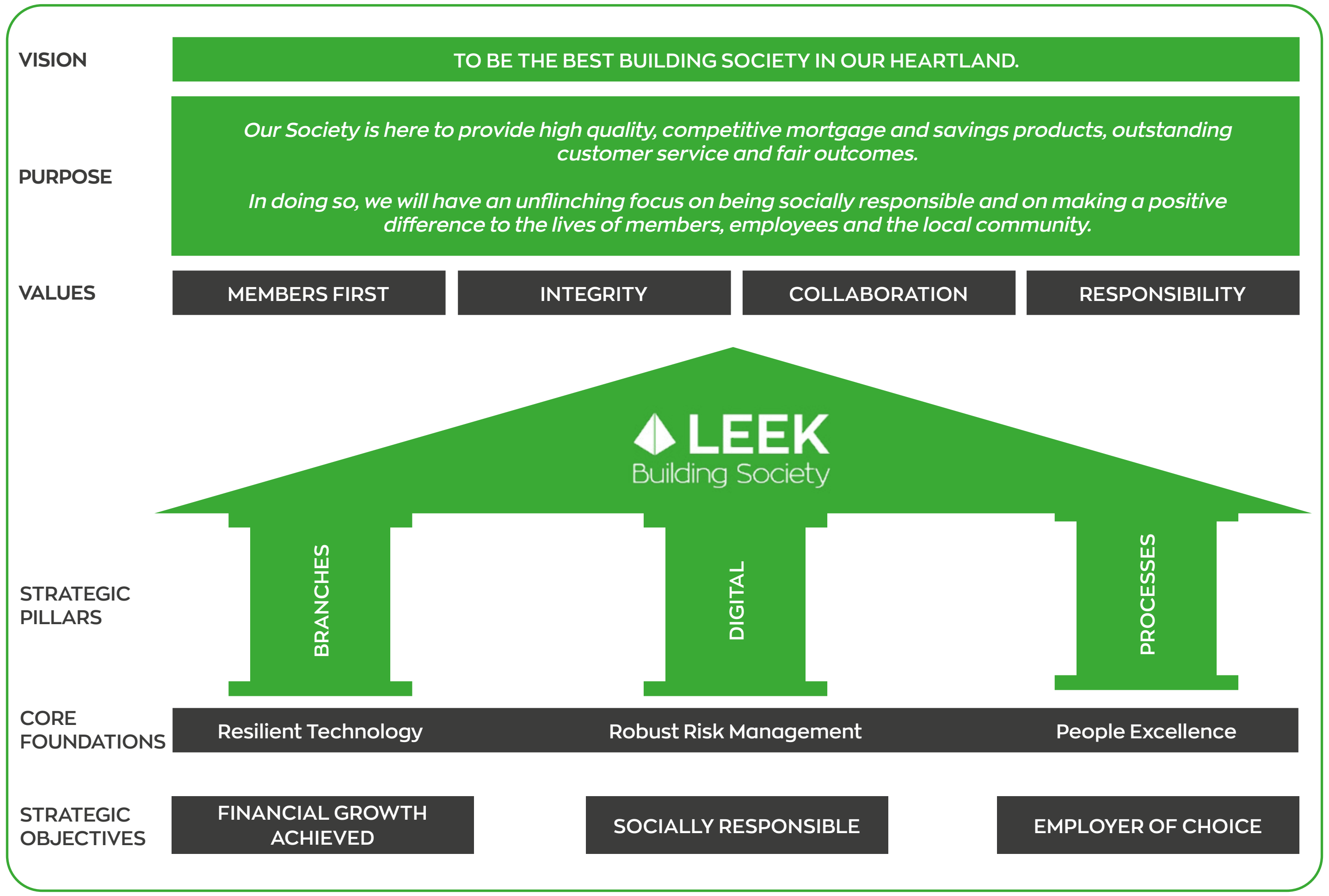
"Fabulous customer service, felt at ease, all questions answered in an easy to understand way. Keep up the good work, thank you."

1. Overall rating from 1 January 2024 - 31 December 2024 Smart Money People dashboard.
2. Net Promoter Score (NPS) is a measure of customer advocacy that ranges between -100 and +100, which represents how likely a customer is to recommend our products and services.

Strategic Report

The Strategic Report aims 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, supplementing the Chair's Statement and Chief Executive's Review.

The Society's strategy is summarised pictorially below:



Our Values

Our values define how we behave, both as an organisation and individually. We have four values:

Members First

We ensure our members are our key focus. We always strive to exceed their expectations. We ensure fair customer outcomes.

Integrity

We adhere strictly to the highest standards of conduct, risk management, ethics and honesty in all that we do.

Collaboration

We collaborate with our colleagues and external partners to deliver our purpose and to ensure we operate to the highest possible standards.

Responsibility

We understand our role within the organisation and we take individual responsibility not only for meeting our performance objectives but also for continuously improving our business. In terms of Environmental, Social and Governance responsibilities, we play our individual part in supporting the Society to achieve its goals.

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. Our online digital savings service, Leek Online, was introduced in 2022 and is growing in line with plans. This platform provides both existing and new members with the option to open new accounts with us, as well as to manage their existing accounts online. In 2024, following detailed assessment and testing, we commenced implementation of our new mortgage platform, enhancing the mortgage journey experience for our new borrowers and broker partners. We also implemented a new finance system to enhance our financial control. In addition to technology changes, we completed our branch modernisation programme in 2023, whereby all our branches were upgraded to offer improved facilities, including more meeting points for discussions about our products and services, and continue to modernise our facilities for both employees and staff.

Key Performance Indicators

The Society delivered strong financial performance in 2024 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.

		2024	2023
Balance Sheet	Total Assets	£1.37bn	£1.31bn
	Mortgage Balances	£1.092bn	£984m
	Shares and Deposits	£1.20bn	£1.10bn
Operating performance	Underlying Profits before Tax	£4.2m	£6.4m
	Profit before Tax	£3.8m	£4.1m
	Net Interest Margin	1.52%	1.66%
	Management Expenses Ratio	1.19%	1.14%
	Mortgage Arrears	0.20%	0.16%
Financial Strength	Regulatory Capital	£80.5m	£77.9m
	Total Capital Ratio	17.4%	17.8%
	Liquid Assets	£249m	£298m

Measure	Explanation
Mortgage Balances	The total amount owed to the Society for mortgages by customers.
Total Assets	The value of all assets in the Group balance sheet.
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 and fixed rate savings deposits.
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 underlying performance of the Group and Society.

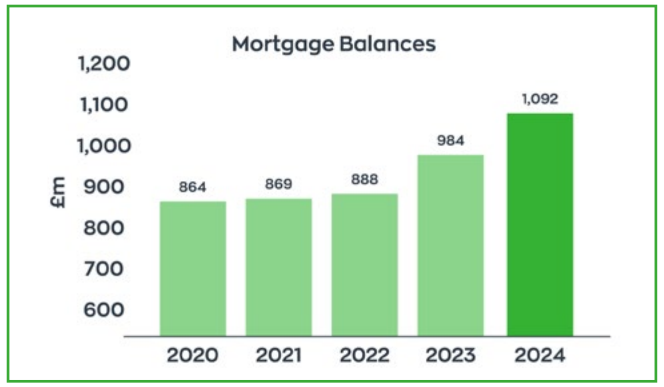
The Society prepares its results under Financial Reporting Standard (FRS) 102, "The Financial Reporting Standard applicable in the UK and Ireland" and elects to apply the measurement and recognition provisions of IAS39, "Financial Instruments: Recognition and Measurement".

Business Review

Mortgage balances

Total mortgage balances at the end of 2024 significantly surpassed the billion pound mark for the first time at £1,092m (2023: £984m) net of provisions, interest rate and fair value adjustments – an increase of 11%. Strong net lending of £105m was achieved (2023: £80m), which was an 32% increase on 2023 growth. This was underpinned by new lending of £227m (2023: £192m) and a relatively low level of mortgage redemptions of £83m (2023: £76m), the latter supported by strong retention levels of existing mortgage customers.

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

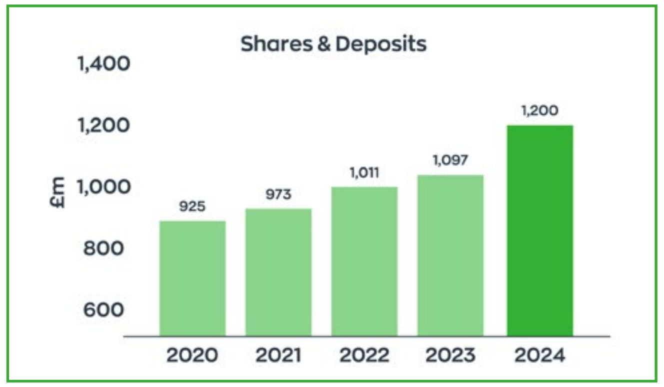


Total assets

The Society's assets continued their path of sustainable, measured growth, increasing by 4% from £1,313m at the end of 2023 to £1,365m at the end of 2024. The growth in total assets was lower than the significant growth in mortgage balances due to utilisation of liquid assets to deliver higher mortgage growth.

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 2024 of £1,200m (2023: £1,097m), a growth of 9%. 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 and a number of new product propositions were launched in 2024 to broaden the support of Member needs.



Underlying profit before tax

The Society recorded an underlying profit before tax of £4.2m, a decrease of £2.2m on 2023 (£6.4m). The primary driver of the decrease was lower net interest margin, driven by the falls in base rate (whereas 2023 saw timing benefits of base rate increasing) and changing mix of funding as we saw significantly higher volumes of fixed rate savings. Furthermore, we also continued to invest in the Society, in particular transforming the mortgage journey for customers and brokers.

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.

Profit before tax

Profit before tax was £3.8m (2023: £4.1m) after accounting for fair value movements (2024 loss of £0.4m; 2023 loss of £2.3m) 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.

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. This is an industry practice which we have historically used and will continue to use. The loss in both 2024 and 2023 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 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 declined during the year to 1.52% (2023: 1.66%) due to a number of reasons:

- Falls in the Bank of England base rate reduced the yield generated on our asset and derivative portfolios and also impacted margin due to the timing requirements when reducing variable savings rates.
- In 2023 margin was also inflated by timing benefits from the base rate increases.
- In 2024 we reduced the risk appetite on our liquidity

investment portfolio, moving investments from unsecured Certificates of Deposit to Covered Bonds programme, which are secured on residential loans.

- In 2024 more customers opted for fixed rate products in the higher interest rate environment, which further reduced net interest margin, given the competitive market pricing for these products.

A robust governance process is in place which involves the Board overseeing our response to movements in the base rate and we take a measured approach regardless of whether the base rate is increasing or decreasing.

Management expenses ratio (%)

The management expenses ratio is a very simple measure of efficiency. This increased in 2024 to 1.19% (2023: 1.14%), with total costs increasing by £1.3m (9%) reflecting our continued investment in technology systems, infrastructure and people capability. As well as investing in digital capabilities, we have further invested in staff rewards, cyber security, product development and people capability to ensure the Society remains able to adapt to the fast changing markets it operates in. 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.

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 15 accounts at 31 December 2024, representing 0.20% of mortgage accounts (2023: 14 accounts, 0.16%). There were 3 cases in arrears of 12 months or more at 31 December 2024 (2023: 1 case).

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 2024, 2 properties were taken into possession (2023: none).

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, and this has been released through 2024 as a result of the improved projections of house prices.

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 2024 has ensured that our capital position remains robust, with reserves at 31 December 2024 of £82.4m (2023: £79.6m). This outturn predominantly reflects the impact of our profit for the year.

Risk weighted assets increased to £461m from £437m, driven by increased mortgage growth in the year. The Common Equity Tier 1 ratio at year end stood at 17.4% (2023: 17.7%) and the leverage ratio stood at 6.3% (2023: 6.8%). 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.

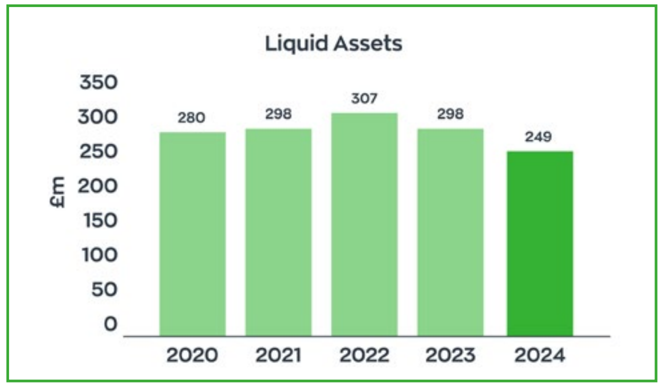
In 2024, the PRA published the near final rules for Basel 3.1 capital framework and a consultation on the capital rules for Small Domestic Deposit Taker firms (SDDT). Due to the Society's size, complexity and product strategy, the Society qualifies as a SDDT firm under the PRA's definition, and an application was made in 2024 to move to the new regulatory framework when it goes live in January 2027.

Basel 3.1 replaces the existing CRR framework and will also come into force on 1 January 2027.

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 £249m (2023: £298m).

A key measure of liquidity introduced under the Capital Requirements Directive is the Liquidity Coverage Ratio (LCR). At 31 December 2024, the Society reported an LCR of 257% (2023: 323%), significantly in excess of minimum regulatory requirements. Through the end of 2023 and 2024, there has been a conscious effort to manage down the high levels of liquidity, through repaying TFSME early and supporting record mortgage growth. The Society anticipate running at these lower levels of liquidity as part of the transition to a market where lower levels of central bank funding are available, which still remain well above regulatory minimums.



Future outlook and uncertainties

The Society's Risk Management Report on pages 46 to 50 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.

At the time of writing this report, the economic prospects for the year ahead remain difficult to predict, not least due to the ongoing conflicts in Ukraine and the Middle East. While inflation is projected to continue to remain close to the 2% target, interest rates remain elevated compared to recent historical periods, which will continue to put pressure on living costs and there remains the risk that this could lead to mortgage repayment difficulties.

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 capability and 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 branch refurbishment programme, which completed in 2023.

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 29.

In summary, the Board considers that despite the challenging market conditions that are likely to prevail in 2025, the Society remains robustly positioned to navigate through the economic, competitive and other headwinds it may face.

Rachel Court
Chair

4 March 2025

Environmental, Social & Governance (ESG) 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.

Progress to date is summarised in the table below:

2022	2023	2024	2027 & beyond
• Scope of Climate Working Group expanded to cover ESG • Green Ambition announced on website • Policies updated to cover ESG risks • Carbon footprint assessment completed • 100% energy obtained from renewable sources • First Green Product (Holiday Let) launched • Charitable Foundation launched. £13k donated to local causes • Society commits to donate £500k (£100k pa) by 2027 to local clubs and causes • 95 staff volunteering days completed • Equality, Diversity and Inclusion Strategy approved by Board	• Mortgage portfolio EPC rating baselined • Green Further Advance Mortgage launched • Branch & Head Office refurbishments completed with accessibility measures • LED lighting installed in all branches and head office leading to 90% reduction in energy required to light these buildings • Charitable Foundation donated £21k to community causes • Society donated £125k to local clubs and causes • 180 staff volunteering days completed • Agreement reached with AEDdonate to provide 100 defibrillators over 4-year period. Rollout commenced • 41% of senior management positions held by women	• Charitable Foundation donated £37k to community causes • Society donated £150k to local clubs and causes • Over 200 staff volunteering days completed across a number of initiatives throughout our heartland • Over 400 school pupils benefitted from financial education through our partnership with Young Enterprise • 34 defibrillators installed to date as part of AEDdonate agreement • 45% of senior management positions held by women • Gas heating removed from Head Office and replaced with electricity sourced from 100% renewable energy • Scope 1, 2 & 3 emissions to be measured and published as part of this Annual Report • Plans to install solar panels on head office and branches are underway	• Target zero net carbon position for scope 1 and 2 emissions • Net Zero by 2050

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.

A wide range of actions have been completed in support of our commitment to reduce our emissions and with a view to making a positive difference to the environment, including:

- 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%.
- 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 managment 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.

In 2024, we took a more thorough approach to measuring our current emissions, as outlined in the table below:

Scope	Description	tCarbon as tCO2e* 2024
Scope 1 Direct emissions	Emissions directly made by the Society – company cars and company facilities	7.91
Scope 2 Indirect emissions	Emissions indirectly made by the Society – purchased electricity	0
Scope 3 Indirect emissions	All other indirect emissions within the Society's value chain	218.37
	Total	**226.28**
Portfolio emissions	Emissions from the properties upon which the Society's mortgages are secured upon	15,633

* Tonnes (t) of Carbon dioxide (CO2) equivalent

As the Society looks to move towards carbon neutral, the annual appraisal of emissions is a key indicator of progress as we further implement the environmental plans of our ESG Strategy. Our scope 1 emissions has reduced considerably as we transitioned away from using natural gas appliances, whilst by ensuring our electricity is sourced from renewable sources, it ensures that we have already reduced scope 2 emissions to its lowest level, and the planned investment in solar panels provides the option for the Society to become a net contributor to the electricity supply in the UK.

For the first time in 2024, we measured our scope 3 emissions and will continue to focus on reducing this as we move towards our aim of carbon neutrality by 2050. We've also measured the emissions from properties upon which the Society's mortgages are secured upon, and this measure has remained stable since 2022.

Whilst we will continue to monitor this measure, we do not exclude borrowers by EPC rating, ensuring we balance our environmental aims with that of social inclusion, which is at the heart of our Building Society's purpose.

In terms of products, we have a number of green products, such as the Holiday Buy to Let Mortgage and Green Further Advance Mortgage which allows customers to upgrade the energy efficiency of their homes and/or investment properties.

Regarding climate risk, we have put the necessary governance in place to ensure there is appropriate oversight of the financial risks posed by climate change.

- The Chief Financial Officer (CFO) 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 CFO, 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 2024, this work demonstrated that even in a high emission scenario, the impact of climate change on the Society would not be directly material to our portfolio.
- 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 2024 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 set ourselves an ambitious target to provide £500,000 to charities and community groups between 2024 and 2028, an average of £100,000 per year, through grants, donations, and sponsorships. During 2024, £150,000 was contributed to such causes. This included funds donated by members through our affinity savings account range.

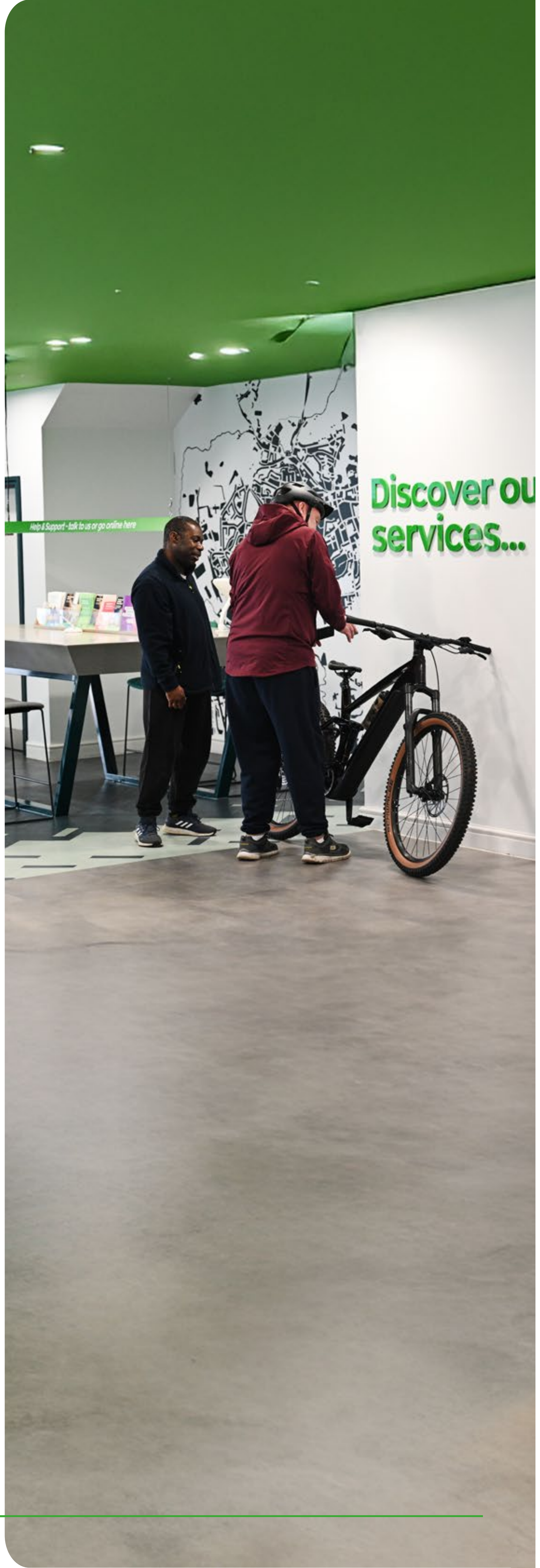
- We developed our suite of local partnerships even further in 2024. We partnered with national charity, Young Enterprise to deliver financial education in each of the 11 towns where we have a branch. To date over 400 children have benefitted from the financial education.
- We are now in year 2 of a multi-year partnership with AEDdonate that will see 100 life-saving defibrillators installed across our heartland counties over the next four years. To date, 34 defibrillators have been installed, and at least one has been utilised and contributed to saving someone's life.
- Our Charitable Foundation has continued to provide much needed funding to local charities and community groups and awarded grants totalling £36,715 during the year.
- We stepped up the level of community support that is provided through our staff volunteering programme. During 2024, over 200 days of volunteering were undertaken by our colleagues.
- 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 in 2023 and remain committed to the high street.
- We completed the refurbishment of our Head Office in 2023, 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.
- For 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.
- 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.
- 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 achieve a 45% representation of females by December 2024 across the combined Board of Directors, Executive Committee and Senior Management.
- 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 30.

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

Steven Clarke
Chief Financial Officer
4 March 2025



Directors' Profiles

Our Board

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 10 years at Executive level. This has been followed by 10 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 2024 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.
- Non-Executive Director of Invesco Asset Management Ltd and Chair of the Risk Committee.
- 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.
- Non-Executive Director and Chair of Audit Committee at Border to Coast Pensions Partnership.

David Cheeseman BSc

Independent Non-Executive Director since April 2021.

Skills and Experience

David 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, David 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.

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

Current External Positions

David 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 Chair of the Board Remuneration Committee and is a member of the Board Risk 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.
- Liveryman, Worshipful Company of Information Technologists.

John Gibson BSc

Independent Non-Executive Director since January 2024 and Independent Chair Designate from April 2025.

Skills and Experience

John has spent over 35 years in the building society sector with most of that time with the Skipton Building Society Group. He finished his executive career there in 2023 as Chief Conduct Risk Officer and Secretary where he was responsible for regulatory matters, a range of risk areas and Board governance. During his time at Skipton he held a range of other roles including Director of Group Risk, Group Commercial Director and General Manager Customer Services.

He served as an independent director on the boards of a range of Skipton subsidiaries including its IFA businesses, its international bank on the Channel Islands and chaired the boards of its Mortgage Packaging firms and Internal Audit and IT outsourcing businesses.

John is a member of the Board Audit Committee, Board Remuneration Committee and Board Nominations Committee. John will take over as Chair of the Board when Rachel Court retires from the position in April 2025.

Current External Positions

None.

Andrew Deeks BA, MBA

Chief Executive and Executive Director since August 2024.

Skills and Experience

Andrew has twenty years' experience in financial services across mutual, plc and consultancy organisations. Prior to joining Leek Building Society as Chief Executive Officer, he was Chief Strategy Officer at LSL Property Services plc and spent a significant part of his career at Coventry Building Society, where he served on the main Board as Product, Marketing and Strategy Director for several years.

Andrew is a committed advocate of mutuality and purpose-led organisations more generally. He has either worked for - or as an adviser to - a number of building societies in the UK. Andrew has a first class honours degree from the University of Nottingham and also holds an MBA from Warwick Business School.

Andrew is a member of the Board Nominations Committee and attends the Board Risk Committee, Board Audit Committee and Board Remuneration Committee. In terms of management committees, Andrew chairs the Monthly Business Review and Credit Risk Forum. He also attends Asset and Liability Committee, All Risks Committee and Change Forum.

Current External Positions

None.

Andrew Davies

Chief Risk Officer and Executive Director from September 2021 to December 2024.

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 retired from the Board on 31st December 2024.

Current external positions

- Board Trustee of Leek Building Society Charitable Foundation

Steven Clarke BA, ACMA

Chief Financial Officer and Executive Director since December 2024.

Skills and Experience

A Chartered Accountant for almost 20 years, Steven has more than 14 years of experience in the Building Society sector as well as significant experience in broader financial services. Steven joined the Society in November 2022 as Finance Director and moved to the role of Chief Financial Officer in December 2024.

Steven's current responsibilities include IT, Change, Mortgage Operations and managing the Society's capital, funding and liquidity positions through leading the Finance & Treasury functions.

His mandate extends to ensuring the integrity of financial and regulatory reporting whilst ensuring the Society operates an effective stress testing framework. He is also responsible for formulating IT & Operations strategies that align and support the Society's corporate plan, as well as executive responsibility for managing the Society's exposure to the financial risks associated with climate change and for championing the overall ESG agenda.

Steven chairs the Change Forum, Operational Resilience Forum, Regulatory Reporting Forum, Pricing Forum, Asset and Liability Committee and ESG Committee. He is also a member of the Monthly Business Review, All Risks Committee and Credit Risk Forum.

Current External Positions

None.

Supporting our Community

Purposeful Partnerships

During 2024, we focused on building stronger connections within our communities by strengthening our partnerships. By collaborating locally, we're able to provide vital support and contribute to positive change within our community.

We remained committed to our community mission, with our dedicated staff volunteering over 200 days to support the local causes close to their hearts.

Our commitment extends beyond volunteering hours. In 2024, we allocated £150k through our community funding initiatives, directly supporting projects and organisations that enrich the lives of local residents.

Young Enterprise

Our collaboration with Young Enterprise has brought the power of financial education to life for **432** students through nine 'Learn to Earn' workshops in local secondary schools. The pupils gained valuable skills to navigate their financial futures with confidence and received support from 22 of our staff volunteers. We're proud to see the positive impact we're making in our communities, one workshop at a time!

> **"Working with Leek Building Society has been amazing, the volunteers have been so enthusiastic. It's been fabulous, fun and filled with enthusiasm. I really couldn't ask to be working with anybody better. - Teresa Fisher, Educational Partnerships Manager, Young Enterprise"**

Staffordshire FA - Women and Girls' Football

We're proud of our partnership with Staffordshire FA, which is encouraging positive growth in women's and girls' football. In just one year, female participation has exceeded expectations, with a record of over 247 female coaches and 19 women's teams entering the County Cup. With the goal of increasing participation to 7,000, the future of women's football in Staffordshire looks bright!

AEDdonate - defibrillator roll out

Our pledge to install **100** defibrillators is progressing well, driven by a deep sense of responsibility and care for the communities we serve. 34 units have been installed in partnership with AEDdonate, with eight more in the pipeline for the coming months!

> **"After opening our new AEDdonate charity shop on Leek Derby Street on 29 May, we're pleased to now see an internal, portable AED unit available to support anyone positioned locally. - Jamie Richards from AEDdonate"**

Sports Clubs

We're pleased to be able to sponsor a number of sporting clubs in and around Leek, Staffordshire. From golf to rugby and football to cricket, it's our local clubs that are the beating heart of our community, enabling local people to participate in the hobbies that are important to them.

Port Vale Foundation

After becoming headline sponsor of the Port Vale Foundation in 2022, we're pleased to have seen the partnership grow from strength to strength. Whether it's supporting the Foundation through staff volunteering days, or issuing home game tickets to the Foundation's members, our collaboration has contributed to the positive impact the Port Vale Foundation brings to Burslem and the surrounding areas.

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 2024.

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.

Felicity Bambery	Non-Executive Director	
David Cheeseman	Non-Executive Director	
Steven Clarke	Chief Financial Officer	
Rachel Court	Non-Executive Director	
Andrew Davies	Chief Risk Officer	Resigned 31 December 2024
Andrew Deeks	Chief Executive	Appointed 26 September 2024
Darren Ditchburn	Deputy Chief Executive	Resigned 6 December 2024
John Gibson	Non-Executive Director	Appointed 25 January 2024
Andrew Healy MBE	Chief Executive	Resigned 31 July 2024
Jane Kimberlin	Non-Executive Director	
John Leveson	Non-Executive Director	Resigned 24 April 2024

Biographies of the Directors appear on pages 23 to 25 and their attendance at meetings of the Board and Board Committees is set out in the Corporate Governance Report on page 30.

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:

- Rachel Court, who will leave the Board on 25 April 2025 following the end of her tenure.

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 2024 was 12 (2023: 3).

Political Donations and Gifts

The Society has not made any political gifts or donations in the year to 31 December 2024 (2023: £ 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 auditors 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 reappoint PricewaterhouseCoopers L.L.P. as external auditors for the financial year ending December 2024 was agreed by the Society's members at the Annual General Meeting on 24 April 2024. The Board is recommending that PricewaterhouseCoopers L.L.P be reappointed as external auditors of the Society for the financial year ending 31 December 2025. A resolution for their appointment will be proposed at the forthcoming Annual General Meeting.

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
4 March 2025

Coporate 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. A revised UK Corporate Governance Code was issued by the Financial Reporting Council (FRC) in January 2024 which applies to accounting periods beginning on or after 1 January 2025. This report is based on the July 2018 version of the Code.

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 eleven meetings in 2024, 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 six changes to the Board during 2024. John Leveson, Chair of Board Remuneration Committee, retired from the Society on 24 April 2024. Jane Kimberlin was appointed as Chair of Board Remuneration Committee on 25 April 2024. Andrew Healy MBE, Chief Executive, left the Society on 31 July 2024. Andrew Deeks was appointed as Chief Executive on 1 August 2024 and co-opted to the Board on 26 September 2024. Darren Ditchburn, Deputy Chief Executive, left the Society on 6 December 2024. Andrew Davies, Chief Risk Officer, retired on 31 December 2024. At the end of 2024, the Board consisted of five Non-Executive Directors and two 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. David Cheeseman, Non-Executive Director and Chair of the Board Risk Committee, is 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. An annual Consumer Duty Self-Assessment report is reviewed and approved by the Board which sets out whether the Society is delivering good outcomes for its customers which are consistent with the Consumer Duty.

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

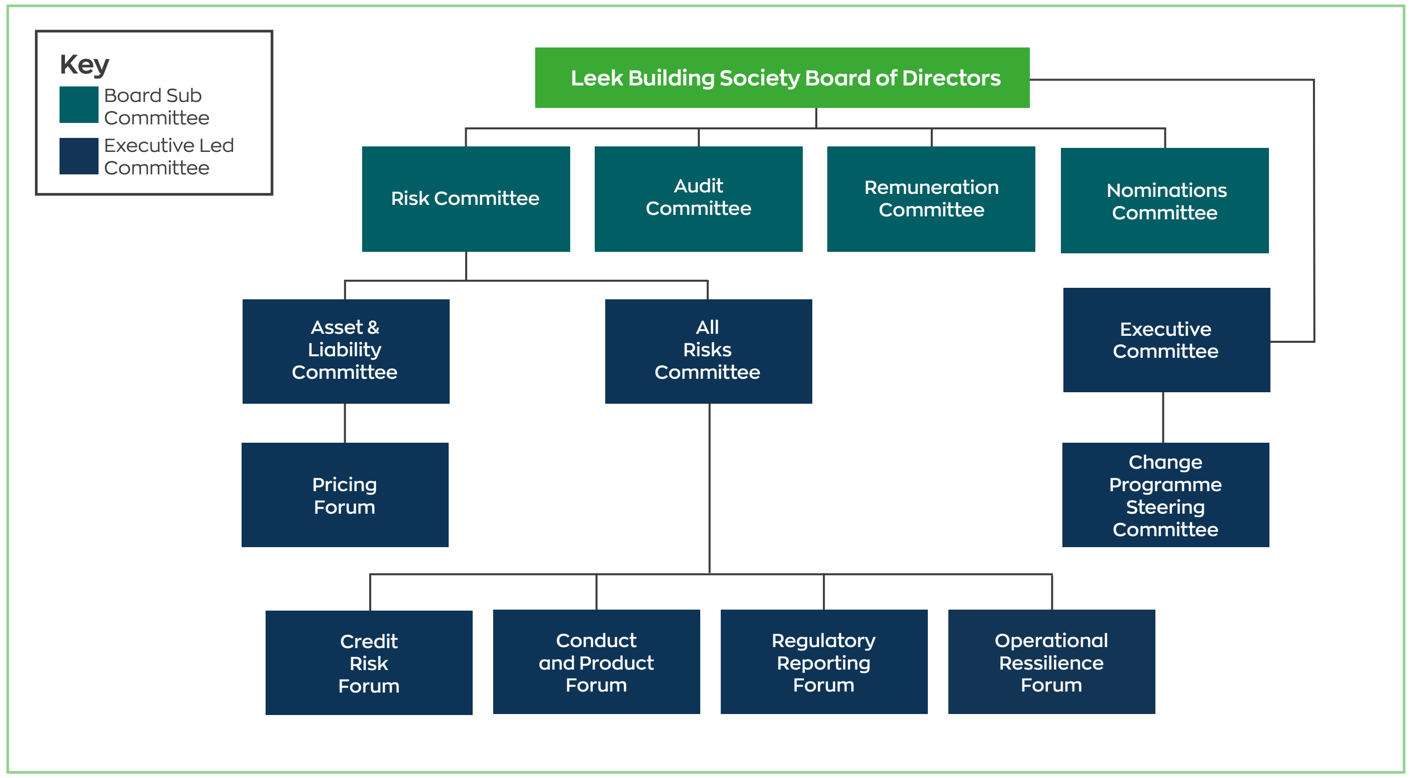
- Regular reports are provided to the Board and Board Risk Committee by the Society's Chief Risk Officer (CRO) on the principal risks facing the Society and the adequacy of controls that are in place.
- Regular reports are provided to the Board and the Board Audit Committee by Internal Audit with respect 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 wrongdoing 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 2024, 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 (below) 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.

Governance Committee Structure

On 1 January 2025, the Executive Committee moved to a monthly meeting called 'Monthly Business Review' and the Change Programme Steering Committee was renamed to the Change Forum. The responsibilities and activities of the various Board subcommittees are described in detail below.



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 42.

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 36.

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 40.

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 38.

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 and control framework. 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 2024 which included an introductory message from the new CEO as well as details of community initiatives and savings interest rates. A second newsletter was issued to mortgage members in early 2025. 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 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 to continue with its strong focus on member engagement.

The 2024 Annual General Meeting (AGM) was held at Port Vale Football Club. The AGM 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 2024. 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 whistleblowing event 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 previously 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 25 April 2025 ahead of the Annual General Meeting). Non-Executive Director, John Gibson, has been appointed to the position of Chair of the Board and will Chair the AGM on 30 April 2025. 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.

In addition, the Board approved a proposal from the Board Nominations Committee to extend the Senior Independent Director's tenure by one year. Jane Kimberlin's 9-year tenure was due to come to an end in November 2025 and the Board approved an extension to her end date to November 2026 (formal departure date will be April 2027 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. Jane remains independent and free of conflicts of interest and continues to perform both as Senior Independent Director 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 two 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 2024 is set out below. These meetings were held using a mix of face-to-face and virtual meetings.

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	Felicity Bambery	11 (11)	4 (4)	5 (5)	3 (3) 'A'	8 (8)
	David Cheeseman	10 (11)	3 (4)	4 (5)	8 (8)	
	Rachel Court	11 (11)			8 (8)	8 (8)
	John Gibson	11 (11)	4 (4)	1 (1) 'A'	3 (3) 'A'	
	Jane Kimberlin	11 (11)		5 (5)	8 (8)	8 (8)
	John Leveson (to 24/04/2024)	2 (3)	1 (1)		3 (3) 'A'	3 (3)
Executive Directors	Steven Clarke	11 (11)	4 (4) 'A'	1 (1) 'A'		
	Andrew Davies (to 31/12/2024)	11 (11)	4 (4) 'A'	5 (5) 'A'		
	Andrew Deeks (from 26/09/2024)	4 (4)	2 (2) 'A'	2 (2) 'A'	2 (2)	3 (3) 'A'
	Darren Ditchburn (to 06/12/2024)	10 (11)	4 (4) 'A'	5 (5) 'A'		
	Andrew Healy MBE (to 31/07/2024)	7 (7)	2 (2) 'A'	2 (3) 'A'	3 (6)	4 (5) 'A'

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

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 95.

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 2024, a number of short training sessions were held on the same day as Board meetings to enable Board members to upskill and refresh their knowledge, in addition to Board members completing required e-learning.

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 38 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 38 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 38 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 completed 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 36 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.

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 51 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 2024 Annual Report and Accounts meets this requirement and on 4 March 2025 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 46, 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 Board Remuneration Committee is set out in the Board Remuneration Committee Report on page 40.

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 Board Remuneration Committee is set out in the Board Remuneration Committee Report on page 40.

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 Board Remuneration Committee is set out in the Board Remuneration Committee Report on page 40.

Rachel Court
Chair
4 March 2025

Charitable Foundation

Our Charitable Foundation had another successful year in 2024, providing over £35k in charitable donations to 13 local community groups and charities that were in need of financial support. From foodbanks to mental health services and community gardens, we were able to make a meaningful difference across a variety of causes that matter most to our members and the wider community.

If you know a charity or community group that could benefit from funding to support a community initiative, we'd love to hear from them! The Foundation is welcoming applications that meet our eligibility criteria.

For full details, including how to apply, visit **leekbs.co.uk/charitable-foundation.**

Leek Building Society Charitable Foundation donated
£36,715 in 2024

Board Audit Committee Report

The main purpose of the Board 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 four 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 (to April 2024), David Cheeseman and 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 in England and Wales with over 20 years' experience in the financial services sector. David Cheeseman, Chair of Board Risk Committee, is a member of the Audit Committee, ensuring the two committees work closely together. John Gibson was co-opted to the Board in January 2024 as an independent Non-Executive Director when he also became a member of our Board Audit Committee. John Leveson stood down as both a Non-Executive Director and member of our Board Audit Committee in April 2024 following the completion of his tenure with the Society. The Committee as a whole has competence relevant to the financial services sector and the key responsibilities of the Board Audit Committee.

Board 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 auditors. • Reviewing the objectivity and independence of the external auditors 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 auditors' 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 auditors.

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 Guarantee (MIG) 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, a specific overlay of £0.1m was deemed appropriate in 2023. However, given that house prices are now expected to increase over the recovery period, the Committee agreed that this overlay was no longer required.

Effective Interest Rate (EIR)
IAS 39 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 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 IAS 39 have to be complied with before it can be applied.

The Committee reviewed the application of the rules outlined in IAS 39 and was satisfied the application of the hedge accounting rules and 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 expert 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 2024 Annual Report and Accounts, when considered as a whole, were fair, balanced and understandable. The Committee is satisfied that the 2024 Annual Report and Accounts meet this requirement and on 4 March 2025 recommended their approval to the Board.

Following the publication of the 2024 UK Corporate Governance Code by the Financial Reporting Council in January, the Committee has reviewed the resulting changes. In particular, consideration is being given as to how best to adapt current processes to fully meet the requirements of Section 29, effective from 1 January 2026, as the Society continues to have regard to the Code and seeks 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 auditors. Both the Board and the external auditors have adequate safeguards in place to ensure the independence and objectivity of the external auditors.

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 7 to the financial statements.

Internal control and risk management

Details of the Society's risk management framework are set out in the Risk Management Report on pages 46 to 50. 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.

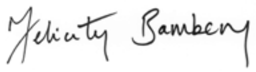
Internal audit

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 2024, 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 2024, 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
Chair of Board Audit Committee
4 March 2025

Board Nominations Commitee 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 eight times during 2024.

Membership

Committee Chair: Rachel Court.
Committee Members: David Cheeseman, Jane Kimberlin and Andrew Deeks.

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 David Cheeseman and Jane Kimberlin, in addition to Chief Executive Andrew Deeks. Together these members provide a wide range of background experience to equip the Committee to fulfil its purpose. During 2024, the HR Director and Head of HR have also attended 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.

Two instances of Board recruitment took place during 2024. Firstly, Chief Executive Andrew Healy MBE left the Society in July and the Board Nominations Committee led the process to identify his replacement. Miles Advisory were appointed to support the exercise which led to Andrew Deeks being appointed. Andrew joined the Society on 1 August 2024 and was co-opted to the Board on 26 September 2024. To mitigate any conflicts of interest, Andrew Healy MBE did not take part in the exercise. Secondly, ahead of Rachel Court's planned departure in April 2025 a process was conducted to identify a successor. Following a review of the Board skills matrix and discussions with current Society NEDs, an internal process was conducted which led to the appointment of John Gibson. He will also Chair the Board Nominations Committee once his tenure as Chair of the Board commences and has already started to attend the committee to aid the transition. To prevent any perceived or actual conflicts of interest, the Chair appointment process was led by Senior Independent Director, Jane Kimberlin, with Rachel Court not taking part.

As a result of the appointment of an existing NED as Chair Designate in late 2024, the Board Nominations Committee agreed to commence recruitment activity for a notified NED role to maintain the number of NEDs at 5 once Rachel Court retires from the Board in April 2025. This recruitment process was completed in early 2025, resulting in the appointment of Pak Chan as a Non-Executive Director, to commence in March 2025.

During 2024 the Deputy Chief Executive departed the Society and the Chief Risk Officer retired from the Board. Marco Ruberto was appointed as Chief Risk Officer and commenced on 6 January 2025, however the role is no longer a Board position. Some responsibilities of the Deputy Chief Executive were distributed to other members of the Executive team who

Distribution Director role. The remainder were allocated to Steven Clarke, Chief Financial Officer, whose remit was expanded beyond the Finance Director responsibilities. The reallocation of responsibilities was overseen by the Board Nominations Committee.

The net effect of the above Executive changes is that there is a reduction of Executive Directors who are Board members, from four to two.

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, Andrew Deeks and Pak Chan will stand for election at the 2025 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 elected or re-elected in April 2024.

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 Deeks.
- 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 2023 but the level of representation had reduced to 43% by the end of 2024 due to staff changes which took place in the intervening period.

The Society 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.*

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 Chair roles in line with anticipated NED term expiries.

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, with the next external review due to be conducted during 2025.

Assessment of Effectiveness

In December 2024, 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 Board Nominations Committee
4 March 2025

Board Remuneration Commitee 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: Jane Kimberlin.
Committee Members: Rachel Court and Felicity Bambery.

Committee composition, skills and experience

The Committee is comprised solely of Non-Executive Directors. The Committee's Chair, Jane Kimberlin, has significant experience in remuneration governance having served on the Committee for 7 years before commencing as Chair in April 2024 when Jane took over from John Leveson. Jane is joined on the Committee by Rachel Court and Felicity Bambery, who bring considerable experience in remuneration and human resources matters. During 2024, the Chief Executive, HR Director and Head of HR have also attended all meetings (except for items relating to their remuneration) but are not members. The Committee met eight times during 2024.

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/re-muneration 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 sala-ries 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 their own remuneration. During 2024, 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% 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 operate in 2024, which would recognise the contribution of employees to the Society's performance. It was agreed 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 the remuneration package for Andrew Deeks as the new CEO and Marco Ruberto as the new Chief Risk Officer. Both packages contained employer pension contributions which aligned to the levels provided to all staff.
- Approved the remuneration package for the newly created Executive roles of Distribution Director, Chief Financial Officer and Product Director, replacing the previous roles of Deputy Chief Executive, Finance Director and Director of Lending.
- 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 their 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 their own remuneration. All NED fees were increased by 5%. All recommendations were approved by the relevant decision-making authorities.

Remuneration Reporting

Page 44 of this Annual Report and Accounts contains the Directors' Remuneration Report for the year ended 31 December 2024. 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 2024, 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.

Jane Kimberlin
Chair of Board Remuneration Committee
4 March 2025

Board Risk Committee Report

The purpose of the Board Risk Committee is to consider all risk related matters, in particular, to oversee that 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: David Cheeseman.
Committee Members: Jane Kimberlin and Felicity Bambery.

Committee composition, skills and experience

The Committee acts independently of the executive and on behalf of the Board to oversee 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, David Cheeseman, is a qualified actuary 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 Society's Senior Independent Director, Jane Kimberlin, is also a member of the Board Risk Committee. The Committee as a whole has competence relevant to the financial services sector.

Board Risk Committee key responsibilities	
Risk strategy & risk appetite	• 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. • A robust stress testing framework is in place, challenging the severity and reasonableness of scenarios and key assumptions.
Risk management and internal control systems	• 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. • Oversee that the internal control environment continues to operate effectively. • Assess the independence and effectiveness of the risk function. • The risk appetite framework is appropriately embedded within management decision-making processes.

Risk strategy & risk appetite

In the first quarter of 2024, the Committee reviewed the Society's Risk Management Framework as part of the regular annual update. Consideration was also given to the suite of risk appetite metrics used to support the management and containment of risk.

Throughout the year, the Committee has closely monitored the macro-economic environment and the potential risks to the Society's mortgage portfolio from higher interest rates and the ongoing cost-of-living crisis. Lending and affordability criteria have been the subject of robust review and challenge to identify if borrowing members have the capacity to meet any further interest rate and inflationary shocks. The Society has also continued to closely monitor pre-arrears indicators in order to identify members who may be at risk of experiencing financial difficulties and provide the necessary support as early as possible.

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 in 2023, it has similarly overseen the successful delivery of milestone two in respect of closed products by the 31 July 2024 deadline.

In addition, it gained assurance that the Society was fully compliant with the requirements of the Payment Systems Regulator's (PSR) Authorised Push Payment (APP) scams reimbursement policy statement and Confirmation of Payee by the October 2024 deadlines. Controls have been further enhanced to protect both members and the Society from the increasing number and sophistication of such scams.

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 Management Information (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 establish if the level of information remains sufficiently comprehensive.

The Society has a Stress Testing Policy to oversee that 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 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 46.

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 2024, 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.

David Cheeseman
Chair of Board Risk Committee
4 March 2025

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

All figures are in £000's	2024					2023				
	Salary/ Fees	Benefits /Other (iii) (iv)	Sub Total	Pensions	Total	Salary/ Fees	Benefits /Other (iii) (iv)	Sub Total	Pensions	Total
Non-Executive Directors (NEDs)										
Felicity Bambery (i) (ix) (v)	40	2	42	-	42	37	-	37	-	37
David Cheeseman (ix) (v)	40	2	42	-	42	39	1	40	-	40
Rachel Court (ix) (v)	57	1	58	-	58	55	1	56	-	56
John Gibson (from 25/01/2024) (vii) (v)	31	1	32	-	32	-	-	-	-	-
Jane Kimberlin (ix) (v) (x)	41	1	42	-	42	36	1	37	-	37
Keith Abercromby (ii) (v)	-	-	-	-	-	11	2	13	-	13
John Leveson (xiv) (v)	12	1	13	-	13	35	2	37	-	37
Executive Directors										
Steven Clarke (iv) (vi)	190	12	202	14	216	151	10	161	11	172
Andrew Davies (iv) (vi) (xi)	163	12	175	24	199	155	12	167	23	190
Andrew Deeks (from 26/09/2024) (iv) (viii)	83	4	87	6	93	-	-	-	-	-
Darren Ditchburn (iv) (vi) (xii)	179	10	189	13	202	171	11	182	13	195
Andrew Healy MBE (iii) (iv) (xiii)	173	11	184	26	210	283	18	301	42	343
	1,009	**57**	**1,066**	**83**	**1,149**	**973**	**58**	**1,031**	**89**	**1,120**

(i) 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.

(ii) Keith Abercromby left the Society on 26 April 2023.

(iii) Andrew Healy's salary was increased in 2024 and 2023 following detailed benchmarking by the Board Remuneration Committee of data from peer organisations. He waived his entitlement to receive the cost-of-living payment which was given to all staff.

(iv) In addition to the cost-of-living payment, remuneration to the executives included in the 'Benefits/Other' column above relates to the provision of a car allowance, partner health screening and private medical insurance.

(v) The remuneration for the Non-Executive Directors included in the 'Benefits/Other' column above relates to travelling expenses.

(vi) Steven Clarke, Andrew Davies and Darren Ditchburn received an increase to their basic salary in 2024 and 2023 following detailed benchmarking by the Board Remuneration Committee of data from peer organisations.

(vii) John Gibson was co-opted onto the Board from 25 January 2024.

(viii) Andrew Deeks was co-opted on to the Board from 26 September 2024.

(ix) The Non-Executive Directors and Chair received an increase to their basic fees in 2024 following detailed external benchmarking.

(x) Jane Kimberlin commenced responsibilities as Chair of the Board Remuneration Committee on 1 April 2024 therefore the increase in the fee for this role is noted in the Board Remuneration Committee report applied from this date. Jane formally took over the role on 25 April 2024.

(xi) Andrew Davies left the Society on 31 December 2024.

(xii) Darren Ditchburn left the Society on 6 December 2024.

(xiii) Andrew Healy left the Society on 31 July 2024.

(xiv) John Leveson left the Society on 24 April 2024.

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 30 April 2025. There were no loans outstanding on 31 December 2024; during 2023 there was one amounting to £159k, in respect of one person.

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 the Chair takes no part in the discussion of their 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.

With effect from January 2024, as part of the annual salary review, the salary for the outgoing Chief Executive, Chief Risk Officer and Director of Lending increased by 5% in line with pay increases given to all staff.

The salaries of the Finance Director and Deputy Chief Executive were increased from January 2024 by more than the 5% given to all staff - by 18% and 11% respectively - following a comprehensive benchmarking exercise and Board Remuneration Committee review, as well as to reflect their development in their respective roles.

The Society's new Chief Executive also commenced his employment in August 2024 with salary also benchmarked against the sector. More details on the process for this appointment are included in the Board Nominations Committee report.

Following the departure of the Deputy Chief Executive in December 2024, this role was not replaced. Instead, a new Executive team structure was implemented. The Finance Director's role was expanded to include IT and Operations, and the salary for the expanded role was uplifted accordingly. New Executive roles were created as set out in the Board Nominations Committee Report. These are not Board positions, although their salary levels were approved by the Board Remuneration Committee. The newly appointed Chief Risk Officer role is also no longer a Board position. The overall cost of the restructured Executive Team as a whole, including Board and non-Board posts, is slightly lower than the previous structure.

In keeping with our philosophy of paying fair base salaries and not offering substantial variable pay which can distort Executive focus, no executive bonus scheme operated in 2024.

Of the Executive Directors' remuneration packages, only basic salary is pensionable. As at 31 December 2024, the Chief Executive and Chief Financial Officer are members of the Society's defined contribution pension scheme. Executive Directors receive the same percentage pension contribution as all other staff.

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 2023, no formulaic schemes were in place during 2024. The Board Remuneration Committee did not appoint any external consultants during 2024.

Given the relative simplicity of the Society's Remuneration Structures, the Board Remuneration Committee did not appoint any external consultants during 2024.

J. Kimberlin

Jane Kimberlin
Chair of Board Remuneration Committee
4 March 2025

Risk Management Report

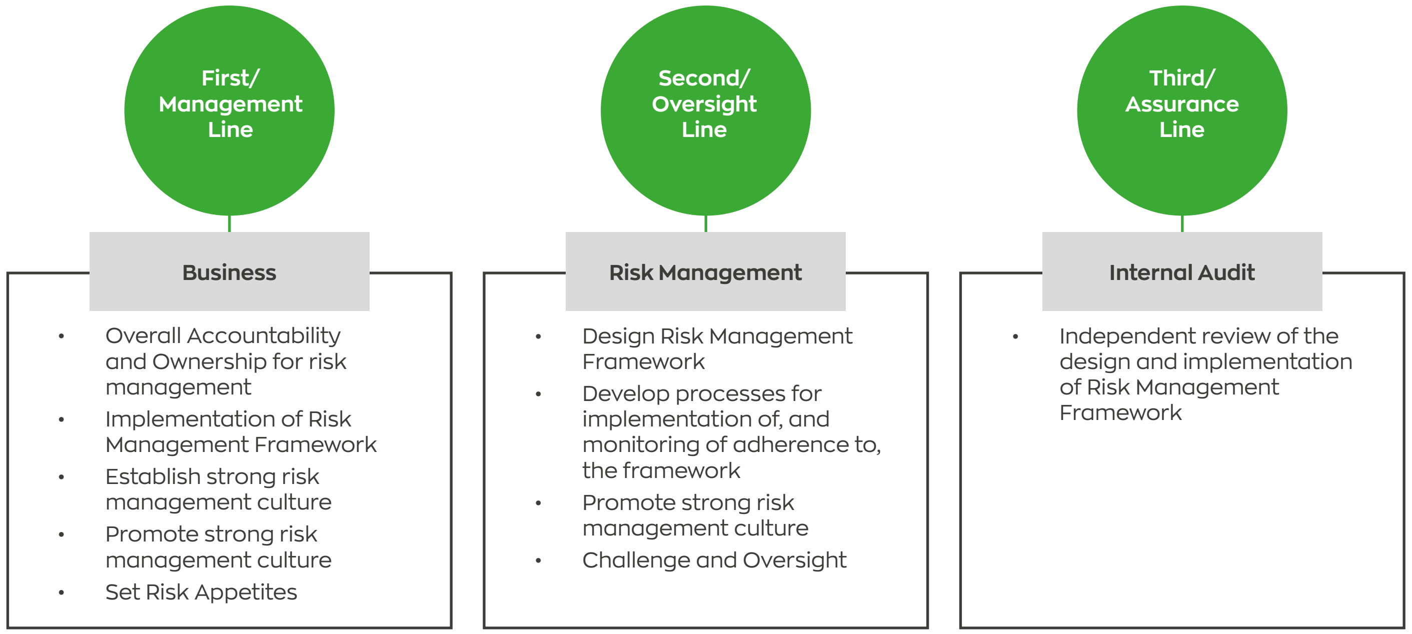
The purpose of this report is to:

- 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.



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 42.

Full details of the Society's governance arrangements are captured in the Corporate Governance Report on page 30.

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 on page 47.

	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 adopt a prudent approach to lending to wholesale counterparties which results in default rates that 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 have defined a strategic direction that aims to maintain long term relevance and 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 manage our interest rate and basis risk positions to minimise losses due to adverse movements in market rates. They do not impact significantly over and above our forecasted market expectations.
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 maintain sufficient liquid resources, over and above the regulatory minimum, that gives our members confidence that we have the ability to meet our financial obligations as they fall due. The Society maintains sufficient retail deposits to fully support and fund retail lending at all times. The Society additionally utilises wholesale or central bank funding to supplement funding from retail but remains predominantly retail funded.

	Principal Risk	Mitigants	Risk Appetite
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 product terms and conditions.	The Society, being a member owned organisation, is committed to upholding the highest standards and treating all members and 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 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 aim to 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 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 are 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, unacceptable and illegal. 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.	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 operate robust systems and controls to support timely and accurate financial reporting.

	Principal Risk	Mitigants	Risk Appetite
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 are 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 systems operate effectively to deliver business performance. IT controls are subject to a regular attestation process that is independently challenged by the second line of defence and from regular reviews by Internal Audit.	We maintain robust processes and controls relating to the Society's systems, including those managed by third parties, to 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 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 proactively manages and secures 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 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 and procedures in respect of Third-Party Supplier Outsourcing risk that set out the way in which third parties are to be managed. Material third parties are subject to regular due diligence.	We 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 CFO, provides robust governance over the change agenda. All projects are monitored through to completion and reviews undertaken after they have been completed.	We 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 operate systems and controls to ensure that business critical operations are supported in the event of unplanned disruption.

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 Chief Financial Officer 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 20. • Climate change risk has been integrated into the 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.
Macroeconomic and Geopolitical Risks Recent years have seen significant uncertainty and volatility from macroeconomic and geopolitical events. Following COVID-19, the war in Ukraine contributed to a significant increase in inflation, causing the Bank of England to respond by raising interest rates from near zero to 5.25%. More recently, we have seen a new government in the UK along with other political change across the globe. While inflation has now fallen to close to the Bank of England's target and interest rates have started to reduce, there remains a degree of uncertainty. The war in Ukraine and the conflict in the Middle East continue, with potential inflationary impacts. Measures announced in October's Autumn Budget are expected to impact inflation, wages and growth in the short-term. Threats of increased tariffs from the USA also add to economic uncertainty. A return to higher inflation will impact the Society directly through increased supplier and salary costs. For members, inflation will extend the cost-of-living crisis, stretching finances and making the servicing of mortgages more challenging.	• Close monitoring of early warning indicators to flag the potential of an economic downturn. • Careful cost management to keep discretionary spending under close control and avoid erosion of margins. • 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. • 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.

David Cheeseman
Chair of Board Risk Committee
4 March 2025

Statement of Directors' Responsibilities

The following Statement, which should be read in conjunction with the Independent Auditor's Report on pages 52 to 58, 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
4 March 2025

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 2024 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 2024; 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 7 to the annual accounts, we have provided no non-audit services to the Group in the period from 1 January 2024 to 31 December 2024.

Our audit approach

Overview

Materiality	• £820k (2023: £800k) - Group annual accounts • Based on 1% of Net Assets • £770k (2023: £760k) - Society annual accounts • Based on 1% of Net Assets
Scoping	• We conducted our audit using a team from Manchester; and • We performed 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	• 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 application of hedge accounting in accordance with accounting standards (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 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;
- Discussion 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 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 on mortgage and savings contracts with its customers. The risk of future movements in market rates of interest affecting the profitability of the Group and Society is mitigated by using derivative financial instruments in the form of interest rate swap contracts. These are designated in fair value 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	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. We re-performed the valuation of a sample of derivatives and underlying hedged items throughout the year using valuation specialists where appropriate. We assessed the completeness and accuracy of the mortgage, deposit and swap data flowing into hedging calculations.

Key audit matter	How our audit addressed the key audit matter
hedge accounting arrangements are effective in accordance with accounting standards. At 31 December 2024 the fair value of all mortgage asset hedged items in designated hedging relationships was £9,908,000 (2023: £12,314,000) less than their carrying value and the fair value of savings liability hedged items in designated hedging relationships was £56,000 (2023: £1,305,000) more than their carrying value. Management of interest rate risk using derivatives in the year also gave rise to a loss of £404,000 (2023: loss of £2,303,000) being recognised in the income statement. We focussed our work on the manual adjustments that are required to be posted to system outputs to achieve compliance with accounting standards in respect of mortgage assets. 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 6. 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 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 £573,000 of loan loss reserves (2023: £505,000) against total loans and advances to customers of £1,101,477,000 (2023: £996,106,000). Total loan loss reserves are split between an individual impairment allowance of £178,000 (2023: £17,000) where specific identifiers of impairment have been identified and a collective impairment allowance of £395,000 (2023: £488,000) to cover losses that are incurred but not reported. 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. Our work focussed 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. As well as the reasonableness of the release of a £121,000 post model adjustment recorded in the year. The Group and Society's disclosures are given in Note 8. 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 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 regarding the recoverability of loans in the individual impairment allowance. We challenged management on the reasonableness of the release of the post model adjustment which related to future house price reductions by using macroeconomic data. 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 also evaluated management's internal credit risk management information to challenge whether there are any cohorts of customers being monitored that are not adequately being captured by loan 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 benefits of former members of staff. The present value of the scheme was in a deficit position of £2,364,000 at 31 December 2024 (2023: deficit of £2,771,000). 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 2024 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 £20,643,000 (2023: £22,963,000) and obligations of £23,007,000 (2023: £25,734,000). The present value of the scheme obligation is materially sensitive to a number of actuarial assumptions including the inflation rate and discount rate. 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 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 actuarial experts 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 reasonable.

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 2024.

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	£820k (2023: £800k).	£770k (2023: £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 75% of overall materiality, amounting to £615,000 for the group financial statements and £577,500 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 upper 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 £41,000 for the Group and £38,500 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 2024 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 2 years, covering the years ended 31 December 2023 to 31 December 2024.

Chris Shepherd.

Chris Shepherd (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
4 March 2025

Income Statements for the year ended 31 December 2024

	Notes	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Interest receivable and similar income	2	68,861	57,844	68,860	57,842
Interest payable and similar charges	3	(48,488)	(36,663)	(48,488)	(36,663)
Net interest receivable		20,373	21,181	20,372	21,179
Income from Investments	4	–	–	48	-
Fees and commissions receivable	5	320	283	319	283
Fees and commissions payable		(393)	(353)	(393)	(353)
Net (loss) from derivative financial instruments	6	(404)	(2,303)	(404)	(2,303)
Total net income		19,896	18,808	19,942	18,806
Administrative expenses	7	(14,756)	(13,704)	(14,755)	(13,694)
Depreciation and amortisation	15	(1,120)	(881)	(1,120)	(881)
Operating profit before impairment and other provisions		4,020	4,223	4,067	4,231
Net finance change on pension scheme	24	(114)	(127)	(114)	(127)
Impairment (charge)/credit on loans and advances to customers	8	(67)	1	(67)	1
Profit before tax		3,839	4.097	3,886	4,105
Taxation on profit	9	(909)	(1,009)	(909)	(1,009)
Profit for the financial year	**26**	**2,930**	**3,088**	**2,977**	**3,096**

The notes on pages 64 to 91 form part of these accounts.

Statements of Comprehensive Income for the year ended 31 December 2024

	Notes	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Profit for the financial year		2,930	3,088	2,977	3,096
Items that will not be reclassified to the Income Statement					
Actuarial loss recognised in pension scheme	24	21	(321)	21	(321)
Taxation on items that will not be reclassified to the Income Statement	16	(5)	80	(5)	80
Items that may subsequently be reclassified to the Income Statement					
Available for sale reserve	28	(158)	484	(158)	484
Tax on revaluation reserve from changes in land and buildings	27	5	4	5	4
Other comprehensive (expense)/income for the year net of income tax		(137)	247	(137)	247
Total comprehensive income for the financial year		**2,793**	**3,335**	**2,840**	**3,343**

The notes on pages 64 to 91 form part of these accounts.

Statements of Financial Position as at 31 December 2024

	Notes	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
ASSETS					
Liquid assets:					
Cash in hand and balances with the Bank of England	**10**	113,668	178,027	113,668	178,027
Loans and advances to credit institutions	**11**	9,876	10,703	9,876	10,670
Debt securities	**12**	125,943	109,458	125,943	109,458
		249,487	298,188	249,487	298,155
Derivative financial instruments	**12**	14,462	20,698	14,462	20,698
Loans and advances to customers	**13**	1,092,308	984,485	1,092,308	984,462
Tangible fixed assets	**15**	3,593	4,111	3,593	4,111
Intangible fixed assets	**15**	2,175	2,092	2,175	2,092
Other assets	**16**	225	1,511	225	1,512
Other assets – deferred taxation	**16**	-	31	-	31
Prepayments and accrued income	**17**	883	618	883	618
Accrued Interest on Derivatives	**22**	1,545	2,165	1,545	2,165
Total assets		**1,364,678**	**1,313,899**	**1,364,678**	**1,313,844**

LIABILITIES					
Shares	**18**	1,183,502	1,089,115	1,183,502	1,089,115
Amounts owed to credit institutions	**19**	76,280	128,993	76,280	128,993
Amounts owed to other customers	**20**	16,494	7,555	16,494	7,555
Derivative financial instruments	**13**	2,018	4,195	2,018	4,195
Other liabilities	**21**	597	703	597	704
Other liabilities - deferred taxation	**21**	120	-	120	-
Accruals and deferred income	**22**	778	811	778	802
Accrued Interest on Derivatives		92	116	92	116
Retirement benefit obligations	**24**	2,364	2,771	2,364	2,771
Total liabilities		**1,282,245**	**1,234,259**	**1,282,245**	**1,234,251**
RESERVES					
General reserve	**26**	81,456	78,510	81,456	78,463
Revaluation reserve	**27**	997	992	997	992
Available for sale reserve	**28**	(20)	138	(20)	138
Total reserves attributable to members of the Society		82,433	79,640	82,433	79,593
Total reserves and liabilities		**1,364,678**	**1,313,899**	**1,364,678**	**1,313,844**

The notes on pages 64 to 91 form part of these accounts.

These accounts were approved by the Board of Directors on 4 March 2025 and were signed on its behalf by:

Rachel Court
Chair

Andrew Deeks
Chief Executive

Steven Clarke
Chief Financial Officer

Statements of Changes in Members' Interest as at 31 December 2024

Group for year ending 31 December 2024	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 2024		**78,510**	**992**	**138**	**79,640**
Profit for the financial year		2,930	-	-	2,930
Other comprehensive (expense)/income for the year (net of tax)					
Re-measurement of defined benefit scheme obligations		16	-	-	16
Net loss from changes in financial assets		-	-	(158)	(158)
Net gain from changes in land and building		-	5	-	5
Total comprehensive income for the year		2,946	5	(158)	2,793
Balance as at 31 December 2024	**26,27,28**	**81,456**	**997**	**(20)**	**82,433**

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		**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**

Statements of Changes in Members' Interest as at 31 December 2024 (cont'd)

Society for year ending 31 December 2024	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 2024		**78,463**	**992**	**138**	**79,593**
Profit for the financial year		2,977	-	-	2,977
Other comprehensive (expense)/income for the year (net of tax)					
Re-measurement of defined benefit scheme obligations		16	-	-	16
Net loss from changes in financial assets		-	-	(158)	(158)
Net gain from changes in land and building		-	5	-	5
Total comprehensive income for the year		2,993	5	(158)	2,840
Balance as at 31 December 2024	26,27,28	**81,456**	**997**	**(20)**	**82,433**

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		**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**

Statements of Cash Flows for the year ended 31 December 2024

	Notes	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Cash flows from operating activities					
Profit before tax		3,839	4,097	3,886	4,105
Depreciation and amortisation		1,120	881	1,120	881
Decrease in fair value of derivative financial instruments and hedged items		1,653	897	1,653	897
Increase in effective interest rate adjustment		(115)	(22)	(115)	(22)
Increase/(Decrease) in impairment on loans and advances		67	(1)	67	(1)
Amounts recovered in respect of loans previously written off		1	1	1	1
Loss on sale of tangible fixed assets		1	7	1	7
Non-cash pension losses		114	127	114	127
Total cash flow from operating activities		**6,680**	**5,987**	**6,727**	**5,995**
Changes in operating assets and liabilities					
Increase in loans and advances to customers		(105,370)	(79,714)	(105,393)	(79,715)
(Decrease)/Increase in accruals and deferred income		(58)	187	(48)	196
Increase in prepayments and accrued income		(3,732)	(6,059)	(3,733)	(6,059)
Decrease in amounts owed to credit institutions and other customers		(48,891)	(19,483)	(48,891)	(19,483)
Increase in wholesale funding		5,117	-	5,117	-
Decrease/(Increase) in other assets		1,317	(301)	1,317	(286)
Increase/(Decrease) in other liabilities		173	(222)	173	(230)
Increase in shares		94,387	89,645	94,387	89,645
Pension Contribution paid		(500)	(458)	(500)	(458)
Taxation paid		(1,068)	(1,812)	(1,068)	(1,812)
Net cash used in operating activities		**(51,945)**	**(12,230)**	**(51,912)**	**(12,207)**
Cash flows from investing activities					
Proceeds from sale of fixed assets		1	7	1	7
Tangible fixed asset additions		(68)	(1,189)	(68)	(1,189)
Intangible fixed asset additions		(618)	(726)	(618)	(726)
Purchase of debt securities		(144,311)	(133,647)	(144,311)	(133,647)
Maturities and disposal of debt securities		131,755	173,343	131,755	173,343
Net cash (used in)/generated from investing activities		**(13,241)**	**37,788**	**(13,241)**	**37,788**
Net (decrease)/increase in cash and cash equivalents		**(65,186)**	**25,558**	**(65,153)**	**25,581**
Cash and cash equivalents at 1 January		188,730	163,172	188,697	163,116
Cash and cash equivalents at 31 December	25	123,544	188,730	123,544	188,697
Net increase/(decrease) in cash and cash equivalents		**(65,186)**	**25,558**	**(65,153)**	**25,581**

The notes on pages 64 to 91 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 Group and 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 Society has previously had two subsidiaries Leek United Financial Services (dissolved 26 September 2023) and Leek United Home Loans Limited (application to strike off as at 30 September 2024 has been submitted). Those subsidiaries together with the Society compromises the Group. The Group accounts comprise 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 undertaking 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 44 for disclosure of the Directors' remuneration.

Investments in subsidiary undertakings
At 31 December there are no investment in subsidiary undertakings as the remaining subsidiary Leek United Home Loans has had an application to strike off as at 30 September 2024 submitted by the Group.

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.

1. Principal accounting policies (continued)

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.

b) Financial instruments 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 are recorded in 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 13 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 allowance for these assets is made. In addition, a collective impairment allowance 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 allowance 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.

1. Principal accounting policies (continued)

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 2024. The valuation stated that the scheme carried a deficit of £2,545k. During 2023 and 2024, the Society has made additional monthly payments to reduce the deficit. These deficit reduction payments will continue in 2025. 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 2024 has been recognised as a liability on the statement of financial position (2023: 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.

1. Principal accounting policies (continued)

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.

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 makes 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 assesses the 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 at 31 December 2024 by £678k (2023: £625k). The impact of a 5% increase in the forced sale discount affecting the LGD would increase the collective provision at 31 December 2024 by £261k (2023: £176k).

1. Principal accounting policies (continued)

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. £1.3m reduction
Inflation (RPI/CPI)(1)	0.50%	c. £0.4m increase
Mortality(2)	0.25%	c. £0.1m increase

(1) The Inflation 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.

Adoption of Amendments to FRS 102

In September 2024 the Financial Reporting Council announced forthcoming amendments to FRS 102, incorporating principles from IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases. These amendments re expected to be effective for accounting periods beginning on or after 1 January 2026, with early adoption permitted.

Revenue recognition: The amendments introduce a five-step model for recognition of revenue, focusing on performance obligations and transfer of control. This replaces the existing revenue recognition criteria under FRS 102 section 23.

Lease Accounting: The amendments significantly change lessee accounting, requiring most leases to be recognised on the balance sheet as a right-of-use asset and a corresponding lease liability, replacing the current distinction between operating and finance leases.

The Society has not yet undertaken a detailed assessment of the impact of these amendments on its financial statements. It is expected that the impact of changes to revenue recognition are likely to be limited due to the Society's business model, however changes to lease accounting may give rise to additional assets and liabilities being recognised in future accounting periods. A full evaluation of the expected impact and transition approach will take place during 2025.

2. Interest receivable and similar income

	Group 2024 £000's	Group 2023 £000's	Society 2023 £000's	Society 2023 £000's
On loans fully secured on residential property	39,100	28,929	39,099	28,927
On other loans	1	9	1	9
On debt securities – interest and other income	6,003	6,354	6,003	6,354
On other liquid assets – interest and other income	8,393	7,116	8,393	7,116
Net interest income on derivative financial instruments	15,364	15,436	15,364	15,436
	68,861	**57,844**	**68,860**	**57,842**

Notes to the Accounts for the year ended 31 December 2024 (continued)

3. Interest payable and similar charges

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
On shares held by individuals	41,799	29,417	41,799	29,417
On deposits and other borrowings	5,570	6,783	5,570	6,783
Net interest expense on derivative financial instruments	1,119	463	1,119	463
	48,488	**36,663**	**48,488**	**36,663**

4. Income from Investment

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Dividends Received	-	-	48	-
	-	**-**	**48**	**-**

5. Fees and commissions receivable

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Insurance commission	224	215	224	215
Other fees	96	68	95	68
	320	**283**	**319**	**283**

6. Net loss from derivative financial instruments

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Losses on hedging instruments	(4,474)	(18,091)	(4,474)	(18,091)
Gains on hedged items attributable to the hedged risk	3.655	15,260	3,655	15,260
Net matched position	**(819)**	**(2,831)**	**(819)**	**(2,831)**
Gains on derivatives not in designated fair value Relationships	415	528	415	528
Total net loss on derivatives	**(404)**	**(2,303)**	**(404)**	**(2,303)**

The net Fair Value (FV) loss from matched derivative financial instruments of £819k (2023: loss of £2,831k) 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 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 2024 this gave rise to a loss of £819k (2023: loss of £2,831k).

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 £415k (2023: fair value gain of £528k). This reflects timing differences between the execution of the derivatives and the completion of the associated hedged item, or where the hedge has become ineffective due to the early redemption of the hedged item.

7. Administrative expenses

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Staff costs (including Executive Directors):				
Wages and salaries	7,078	6,952	7,078	6,952
Social security costs	748	726	748	726
Other pension costs	571	551	571	551
	8,397	**8,229**	**8,397**	**8,229**
Other expenses:				
Remuneration of auditors (excluding VAT)				
Audit of Group and Society accounts	403	303	403	303
Audit of subsidiaries	-	7	-	-
Other services – audit related assurance services	7	10	7	10
Other services – other assurance services	-	5	-	5
Total auditor remuneration	**410**	**325**	**410**	**318**
Other administrative expenses	5,949	5,150	5,948	5,147
Total administrative expenses	**14,756**	**13,704**	**14,755**	**13,694**

Statutory audit of group and society accounts includes £70,000 of costs related to 2023 audit but included in 2024.

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

	Group 2024	Group 2023	Society 2024	Society 2023
(i) At principal office:				
Full-time staff	103	103	103	103
Part-time staff	36	36	36	36
(ii) At branch offices:				
Full-time staff	30	29	30	29
Part-time staff	36	39	36	39
Total staff	**205**	**207**	**205**	**207**
(iii) Total full-time equivalents	182	182	182	182

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 2025 and at the Annual General Meeting. There are no loans outstanding at 31 December 2024 (2023: 1 director with £159k outstanding). As at 31 December 2024 a total of £239,452 (2023: £230,093) was held in Society savings by the Directors.

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

8. 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 2024	17	488	505
Amounts utilised in the year	-	-	-
Charge in the year	161	(93)	68
At 31 December 2024	**178**	**395**	**573**

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**

The credit in the Income Statement is as follows:-

Group and Society	2024 £000's	2022 £000's
Change in loan impairment allowance	68	-
Amounts recovered in respect of loans previously written off	(1)	(1)
Amounts written off during the year	-	-
Credit to the income statement	**67**	**(1)**

The impairment allowance as at 31 December 2024 and 2023 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 no mortgage impairment overlays for the year ending 31 December 2024 (2023: £121k). The 2023 overlay was released during the period as it was deemed to no longer be required.

9. Taxation on profit

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
(a) UK corporation tax at 25% (2023: 23.52%):				
Current tax	758	837	758	837
UK deferred tax at 25% (2023: 25%):				
Deferred tax – current year (see note 16 and 21)	151	172	151	172
Total	**909**	**1,009**	**909**	**1,009**

The tax assessed for the year is lower (2023: higher) than the standard rate of corporation tax in the UK of 25% (2023: 23.52%). The differences are explained below.

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
(b) Factors affecting current tax charge in year:				
Profit before tax	3,839	4,097	3,886	4,105
Tax on profit at UK standard rate of 25% (2023: 23.52%)	959	964	971	965
Expenses not deductible for tax purposes	2	5	2	5
Adjustment respect of prior year	(145)	(73)	(145)	(73)
Group relief claimed	-	-	(12)	(2)
Fixed asset timing difference	93	110	93	110
Chargeable gains	(4)	(4)	(4)	(3)
Deferred tax not recognised	4	7	4	7
Total tax charge	**909**	**1,009**	**909**	**1,009**

Current tax has been provided at the rate of 25%. For the year ended 31 December 2024 deferred tax was provided at a rate of 25% being the rate substantively enacted at the balance sheet date.

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

	Note	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Cash in hand		625	630	625	630
Balances at the Bank of England		113,043	177,397	113,043	177,397
Included in cash and cash equivalents	**25**	**113,668**	**178,027**	**113,668**	**178,027**

11. Loans and advances to credit institutions

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Maturity analysis:				
Repayable on demand	9,876	10,703	9,876	10,670
	9,876	**10,703**	**9,786**	**10,670**

12. Debt securities

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Available for sale securities:				
Issued by UK Government	49,749	27,228	49,749	27,228
Issued by other borrowers - listed	55,409	15,293	55,409	15,293
Issued by other borrowers - unlisted	20,785	66,937	20,785	66,937
	125,943	**109,458**	**125,943**	**109,458**
Available for sale securities:				
Maturity analysis:				
In not more than one year	110,893	94,165	110,893	94,165
In more than one year	15,050	15,293	15,050	15,293
	125,943	**109,458**	**125,943**	**109,458**

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	2024 £000's	2023 £000's
At 1 January	109,458	143,544
Additions	144,311	133,647
Maturities and disposals	(131,755)	(173,343)
Movement in premium and accrued interest	4,087	5,126
Gains/(Loss) in fair value recognised in Other Comprehensive Income	(158)	484
At 31 December	**125,943**	**109,458**

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.

13. 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 2024				
Unmatched derivatives – interest rate swaps	123,900	338	(133)	205
Derivatives designated as fair value hedges - interest rate swaps	873,255	14,124	(1,885)	12,239
Total recognised derivative assets/(liabilities)	**997,155**	**14,462**	**(2,018)**	**12,444**
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**

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

14. Loans and advances to customers

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Loans and advances to customers comprise:				
Loans fully secured on residential property	1,102,169	996,642	1,102,169	996,619
Loans fully secured on land	47	157	47	157
Fair value adjustment for hedged risk	(9,908)	(12,314)	(9,908)	(12,314)
	1,092,308	**984,485**	**1,092,308**	**984,462**

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 £9,908k (2023: £12,314k) 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 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Repayable on demand	2,427	951	2,427	951
In not more than three months	7,530	7,062	7,530	7,062
In more than three months but not more than one year	25,220	24,898	25,220	24,875
In more than one year but not more than five years	158,239	155,015	158,239	155,015
In more than five years	908,060	808,180	908,060	808,180
	1,101,476	**996,106**	**1,101,476**	**996,083**
Loan impairment allowance	(573)	(505)	(573)	(505)
Fair value adjustment for hedged risk	(9,908)	(12,314)	(9,908)	(12,314)
Effective interest rate adjustment	1,313	1,198	1,313	1,198
	1,092,308	**984,485**	**1,092,308**	**984,462**

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

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 2024	2,547	4,001	-	6,548
Additions	-	68	-	68
Transfer	-	-	-	-
Disposals	-	(30)	-	(30)
At 31 December 2024	2,547	4,039	-	6,586
Accumulated depreciation				
At 1 January 2024	902	1,535	-	2,437
Charge for the year	39	546	-	585
Disposals	-	(29)	-	(29)
At 31 December 2024	941	2,052	-	2,993
Net book value				
At 31 December 2024	**1,606**	**1,987**	**-**	**3,593**

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**

The net book value of land and buildings occupied by the Group and Society for its own activities is £1,606k (2023: £1,645k). 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:

	2024 £000's	2023 £000's
Cost	1,470	1,470
Aggregate depreciation based on cost	(545)	(524)
	925	**946**

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 2024	3,185	813	3,998
Additions	1,282	618	1,900
Transfer	-	(1,282)	(1,282)
Disposals	-	-	-
At 31 December 2024	4,467	149	4,616
Accumulated amortisation			
At 1 January 2024	1,906	-	1,906
Charge for the year	535	-	535
Disposals			
At 31 December 2024	2,441	-	2,441
Net book value			
At 31 December 2024	**2,026**	**149**	**2,175**

The remaining balance of intangible assets related to phase two of the Mortgage Transformation Programme which is in progress.

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**

16. Other assets

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Bank of England Cash Ratio Deposit	-	1,364	-	1,364
Other	225	147	225	148
	225	1,511	225	1,512

The Bank of England Cash ratio deposit was repaid during the year ending 31 December 2024.

16. Other assets (continued)

Deferred Tax Asset	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
The elements of deferred taxation are as follows:				
Difference between accumulated depreciation and Capital allowances	-	(571)	-	(571)
Capital gains on revalued land and building	-	(121)	-	(121)
Other timing differences	-	723	-	723
	-	**31**	**-**	**31**
Deferred taxation balance at 1 January	-	119	-	119
Deferred tax charge	-	(172)	-	(172)
Items in relation to the Statement of Comprehensive Income:				
Movements in relation to pension scheme	-	80	-	80
Movements in relation to revalued land and buildings	-	4	-	4
At 31 December	**-**	**31**	**-**	**31**

Deferred Tax was an asset at 31 December 2023, however is now a liability as of 31 December 2024 (note 21). The deferred tax asset at 31 December 2024 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2023: 25%).

17. Prepayments and accrued income

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Prepayments	875	614	875	614
Accrued income	8	4	8	4
	883	**618**	**883**	**618**

18. Shares

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

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Repayable on demand	719,394	707,081	719,394	707,081
In not more than three months	91,221	35,927	91,221	35,927
In more than three months but not more than one year	240,465	183,171	240,465	183,171
In more than one year but no more than five years	132,366	161,631	132,366	161,631
Fair Value Adjustment for Hedged Risks	56	1,305	56	1,305
	1,183,502	**1,089,115**	**1,183,502**	**1,089,115**

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 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Repayable in less than one year	76,280	19,993	76,280	19,993
Repayable in more than one year but no more than five years	-	109,000	-	109,000
	76,280	**128,993**	**76,280**	**128,993**

Amounts payable in less than one year amounting to £76,280k (2023: £19,993k) relate to amounts received as collateral with counterparties in respect of derivative contracts (2024: £14,439k and 2023: £19,993k) and funding from the Bank of England (2024: £61,841k and 2023: £109,000k).

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 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Repayable on demand – Corporate Deposits	11,377	7,555	11,377	7,555
Repayable within 1 year – Wholesale Funding	5,117	-	5,117	-
	16,494	**7,555**	**16,494**	**7,555**

21. Other liabilities

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Amounts falling due within one year:				
Corporation tax	79	389	79	389
Other taxation and social security costs	188	177	188	177
Other creditors	330	137	330	138
	597	**703**	**597**	**704**

Deferred Tax Liability

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
The elements of deferred taxation are as follows:				
Difference between accumulated depreciation and Capital allowances	595	-	595	-
Capital gains on revalued land and building	117	-	117	-
Other timing differences	(592)	-	(592)	-
	120	**-**	**120**	**-**
Deferred taxation asset balance at 1 January	(31)	-	(31)	-
Deferred tax charge	151	-	151	-
Items in relation to the Statement of Comprehensive Income:				
Movements in relation to pension scheme	5	-	5	-
Movements in relation to revalued land and buildings	(5)	-	(5)	-
At 31 December	**120**	**-**	**120**	**-**

22. Accruals and deferred income

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Accruals	772	805	772	796
Deferred income	6	6	6	6
Included as liabilities on the SOFP	**778**	**811**	**778**	**802**

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 in 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 Chief Financial Officer 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, 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 set out in note 1). The fair value of these hedges as at 31 December 2024 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	Fixed or 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

23. Financial instruments (continued)

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.

Carrying values as at 31 December 2024	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	-	113,668	-	-	-	113,668
Loans and advances to credit institutions	9,876	-	-	-	-	9,876
Debt securities	-	-	125,943	-	-	125,943
Derivative financial instruments	-	-	-	14,124	338	14,462
Loans and advances to customers	1,102,216	(9,908)	-	-	-	1,092,308
Total financial assets	**1,112,092**	**103,760**	**125,943**	**14,124**	**338**	**1,356,257**
Total non-financial assets						8,421
Total Group assets						**1,364,678**
Financial liabilities						
Shares	-	1,183,502	-	-	-	1,183,502
Amounts owed to credit institutions	-	76,280	-	-	-	76,280
Amounts owed to other customers	-	16,494	-	-	-	16,494
Derivative financial instruments	-	-	-	1,885	133	2,018
Total financial liabilities	**-**	**1,276,276**	**-**	**1,885**	**133**	**1,278,294**
Total non-financial liabilities						3,951
General and other reserves						82,433
Total Group reserves and liabilities						**1,364,678**

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**

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 2024					
Financial assets					
Available for sale:					
Debt securities	12	105,158	20,785	-	**125,943**
Derivative financial instruments:					
Interest rate swaps	13	-	14,462	-	**14,462**
		105,158	**35,247**	**-**	**140,405**
Financial liabilities					
Derivative financial instruments:					
Interest rate swaps	13	**-**	**2,018**	**-**	**2,018**

	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	12	42,521	66,937	-	**109,458**
Derivative financial instruments:					
Interest rate swaps	13	-	20,698	-	**20,698**
		42,521	**87,635**	**-**	**130,156**
Financial liabilities					
Derivative financial instruments:					
Interest rate swaps	13	**-**	**4,195**	**-**	**4,195**

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 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Cash in hand and balances with the Bank of England	113,668	178,027	113,668	178,027
Loans and advances to credit institutions	9,876	10,703	9,876	10,703
Debt securities	125,943	109,458	125,943	109,458
Derivative financial instruments	14,462	20,698	14,462	20,698
Loans and advances to customers	1,092,308	984,485	1,092,308	984,462
Total statement of financial exposure[(1)]	**1,356,257**	**1,303,371**	**1,356,257**	**1,303,348**
Off balance sheet exposure - mortgage commitments[(2)]	60,543	35,377	60,543	35,377
Total	**1,416,800**	**1,338,748**	**1,416,800**	**1,338,725**

[(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	2024 £000's	2024 %	2023 £000's	2023 %
Banks	25,794	20%	66,937	61%
Building Societies	10,041	8%	-	-
Central Government	49,749	40%	27,228	25%
Supranationals	40,359	32%	15,293	14%
Total	**125,943**	**100%**	**109,458**	**100%**

Geographic region	2024 £000's	AAA %	AA %	A %
United Kingdom	85,584	-	70%	30%
Supranationals	40,359	100%	-	-
Total	**125,943**			

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**			

23. Financial instruments (continued)

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

Geographic region	2024 £000's	AA %	A %	2023 £000's	AA %	A %
United Kingdom	8,684	100%	-	13,127	12%	88%
Europe	5,778	-	100%	7,571	-	100%
Total	**14,462**			**20,698**		

There are no impairment charges against any of the Group's treasury assets at 31 December 2024 or 31 December 2023.

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 80. Loans and advances to customers are predominantly made up of retail loans fully secured against UK property of £1,102m (2023: £996m) 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	2024 £000's	2024 %	2023 £000's	2023 %
London		232,349	21%	190,174	19%
North		192,266	17%	180,706	18%
West Midlands		188,756	17%	177,236	19%
East Midlands		112,894	10%	104,490	10%
Outer South East		105,801	10%	90,082	9%
South West		95,068	9%	90,831	9%
Yorkshire & Humberside		86,739	8%	80,733	8%
Wales and Northern Ireland		51,120	5%	49,988	5%
East Anglia		36,436	3%	31,709	3%
Total		**1,101,429**	**100%**	**995,949**	**100%**
Other loans (see below)		47		157	
	14	**1,101,476**		**996,106**	

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:

	2024	2023
Repayment – Residential mortgage	66%	65%
Interest Only – Residential mortgage	9%	8%
Repayment – Buy to Let	3%	3%
Interest Only – Buy to Let	22%	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 45% (2023: 44%). The average LTV of Buy to Let mortgages is 45% (2023: 46%) All residential and Buy to Let loans above 80% (2023: 80%) LTV are insured.

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

	Group	
LTV analysis	**2024 %**	**2023 %**
Residential		
0% - 30%	12%	13%
30% - 60%	32%	33%
60% - 80%	29%	30%
80% - 90%	21%	11%
90%-100%	6%	13%
>100%	-	-
Average loan to value of residential mortgage loans	**45%**	**44%**

	Group	
LTV analysis	**2024 %**	**2023 %**
Buy to Let		
0% - 30%	8%	7%
30% - 60%	66%	66%
60% - 80%	26%	26%
80% - 90%	-	1%
90%-100%	-	-
>100%	-	-
Average loan to value of buy to let mortgage loans	**45%**	**46%**

The quality of the Group's retail mortgage book is reflected in the number and value of accounts in arrears, by value this is 0.80% (2023: 0.56%), of which only 0.20% (2023: 0.16%) 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	**2024 £000's**	**2024 %**	**2023 £000's**	**2023 %**
Not impaired				
Neither past due or impaired	1,092,695	99.2%	990,531	99.4%
Past due up to three months but not impaired	6,570	0.6%	3,970	0.4%
Impaired				
Past due three to six months	1,408	<=0.1%	1,046	<=0.1%
Past due six to 12 months	366	<=0.1%	338	<=0.1%
Past due over 12 months	437	<=0.1%	221	<=0.1%
Total	**1,101,476**	**100%**	**996,106**	**100%**

Value of collateral held	**2024 Indexed £000's**	**2024 Unindexed £000's**	**2023 Indexed £000's**	**2023 Unindexed £000's**
Neither past due or impaired	2,419,385	2,038,899	2,230,657	1,883,753
Past due up to three months but not impaired	14,916	11,649	8,108	6,706
Past due over three months and impaired	4,615	3,548	3,611	2,651

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 2024 the Group and Society had 2 properties in possession (2023: None).

Forbearance

A variety of forbearance options are offered to customers of the Society; such as:

- 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:

	31 December 2024 Number	31 December 2023 Number
Type of forbearance		
Reduced payment including interest only concessions	4	8
Arrangements	7	7
Payment holidays	11	17
Total	**22**	**32**

In total £3.0m (2023: £4.6m) of loans are subject to forbearance at the balance sheet date. There is a requirement for a collective impairment allowance in 2024 of £9k (2023: £15k) 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 £113m at 31 December 2024 (2023: £177m) 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 2024	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	715,323	92,265	67,436	185,146	145,305	-	1,205,475
Amounts owed to credit institutions	14,439	841	714	62,460	1	-	78,455
Amounts owed to other customers	11,377	-	5,239	-	-	-	16,616
Derivative financial instruments	-	183	157	334	1,580	-	2,254
Total liabilities	**741,139**	**93,289**	**73,546**	**247,940**	**146,886**	**-**	**1,302,800**

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**

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 1.8% of capital (£1,416k) on a net present value basis and £163k on profit at 31 December 2024 (2023: 1.5%, £1,198k, £277k). 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:

	2024 Assets £000's	2024 Liabilities £000's	2023 Assets £000's	2023 Liabilities £000's
Instrument type:				
Interest rate swaps	14,462	2,018	20,698	4,195
Total	**14,462**	**2,018**	**20,698**	**4,195**

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.

	2024 £000's	2023 £000's
Common Equity Tier 1 (CET1)		
General and other capital reserves	82,432	79,640
Prudent valuation adjustment	(127)	(110)
Pension asset	-	-
Intangible assets	(2,175)	(2,092)
	80,130	**77,438**
Tier 2 capital		
Collective provision	395	488
Total regulatory capital	**80,525**	**77,926**

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 2024, which showed a deficit of £2,545k. During 2023 and 2024 the Society has been making additional monthly payments of £41,666 per month, with the aim of eliminating any deficit. These contributions will continue throughout 2025.

The results of this valuation were used to produce the accounting valuation below at 31 December 2024. 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 7. 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 90.

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

	2024 £000's	2023 £000's
Fair value of scheme assets	20,643	22,963
Present value of scheme liabilities	(23,007)	(25,734)
Deficit in scheme	**(2,364)**	**(2,771)**

Reconciliation of opening and closing balances of the defined benefit obligation

	2024 £000's	2023 £000's
Defined benefit obligation at start of year	25,734	25,605
Current service cost	-	-
Interest expense	1,128	1,171
Actuarial (gain)/loss	(2,529)	153
Benefits paid and expenses	(1,326)	(1,195)
Defined benefit obligation at end of year	**23,007**	**25,734**

24. Retirement benefit obligations (continued)

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

	2024 £000's	2023 £000's
Fair value of scheme assets at start of year	22,963	22,824
Interest income	1,014	1,044
Return on plan assets (excluding amounts included in net interest cost)	(2,508)	(168)
Contributions by Society	500	458
Benefits paid and expenses	(1,326)	(1,195)
Scheme assets at end of year	**20,643**	**22,963**

The actual return on the plan assets during the year ended 31 December 2024 was a loss of £1,494k (2023: £876k).

Total defined benefit costs recognised in the Income Statement

	2024 £000's	2023 £000's
Current service cost	-	-
Net interest on the definded benefit assets	(114)	(127)
Losses due to benefit changes	-	-
Defined benefit cost recognised in profit and loss account	**(114)**	**(127)**

Defined benefit costs recognised in Other Comprehensive Income

	2024 £000's	2023 £000's
Return on plan assets in excess of interest income	2,508	168
Actuarial (gain)/loss	(2,529)	153
Total amount recognised in Other Comprehensive Income – loss	**(21)**	**321**

Assets

	2024 £000's	2023 £000's
Quoted Market Price:		
Multi asset credit funds	1,555	950
Corporate bonds	1,472	1,056
Diversified growth funds	-	1,355
Asset Backed Securities	1,391	-
Liability driven investment funds	5,103	8,044
Other	256	327
	9,777	**11,732**
No Quoted Market Price:		
Insured pensioners	10,866	11,231
Total	**20,643**	**22,963**

The Society has insured some member benefits relating to certain pensioner members whereby the pension scheme liabilities are settled via 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	2024 % per annum	2023 % per annum
Rate of discount	5.40	4.50
Retail Price Index inflation	3.20	3.05
Consumer Price Index inflation	2.70	2.55
Salary growth	3.20	4.05
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.70	2.55
Allowance for pension payment increases of RPI or 5% p.a. if less	3.00	2.85
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	2.00	1.85
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 2024 imply the following life expectancies:

Male retiring at age 60 in 2024	26.7 years (2023: 25.8 years)
Female retiring at age 60 in 2024	29.5 years (2023: 28.4 years)
Male at age 60 in 2044	25.5 years (2023: 27 years)
Female retiring at age 60 in 2044	28.3 years (2023: 29.5 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. During the COVID-19 pandemic , UK mortality experience was much worse than had been experienced in preceding years and very volatile from week to week. However, in 2022 this volatility fell away, and the pattern of deaths became more consistent with previous years. The CMI have therefore moved to a single calibration parameter which applies weighting to the two most recent years of post-pandemic mortality experience only. Under the CMI's default model, this parameter applies 15% weighting to 2022 and 2023 (i.e. w2020 = w2021 = 0%, w2022 = w2023 = 15%). Given the wider impact of the knock-on effects of the COVID-19 pandemic on mortality rates, such as the impact on the NHS and economic growth, an adjustment has been made to the mortality assumption via the adoption of a non-default 2022 and 2023 weight parameter of 25%. This places more weighting on the post-pandemic years mortality experience date than the default.

In June 2023, the UK High Court in Virgin Media Limited v NTL Pension Trustees II Limited ruled that specific historical amendments to contracted-out defined benefit schemes in the period 6 April 1997 to 5 April 2016 were invalid if they lacked a confirmation under section 37 of the Pension Scheme Act 1993 from the scheme's actuary. This decision was upheld on appeal in July 2024. The High Court's decision has wide ranging implications, affecting other schemes that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016. The Society's scheme was contracted out until 24 April 2013 and amendments were made during the relevant period. As such the ruling could have implications for the Society.

A detailed investigation of the relevant deeds relating to the Society's defined benefit pension scheme has begun and is being undertaken in collaboration with the pension scheme Trustees. At the date of the approval of these financial statements, this review remains ongoing. Given the ongoing nature of this review, it is currently not possible to assess with any certainty whether there could be a potential financial impact arising and, if there was to be a financial impact, what that impact would amount to. Therefore, no provision has been made in the financial year ended 31 December 2024 however this is considered to represent a contingent liability.

25. Cash and cash equivalents

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
Cash in hand and balances at Bank of England	113,668	178,027	113,668	178,027
Loans and advances to credit institutions	9,876	10,703	9,876	10,670
At 31 December	**123,544**	**188,730**	**123,544**	**188,697**

26. General reserve

	Group 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
At 1 January	**78,510**	**75,663**	**78,463**	**75,608**
Profit for the financial year	2,930	3,088	2,977	3,096
Net gain/(loss) recognised directly in Other Comprehensive Income	16	(241)	16	(241)
At 31 December	**81,456**	**78,510**	**81,456**	**78,463**

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 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
At 1 January	**992**	**988**	**992**	**988**
Tax on revaluation reserve from changes in land and buildings	5	4	5	4
At 31 December	**997**	**992**	**997**	**992**

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 2024 £000's	Group 2023 £000's	Society 2024 £000's	Society 2023 £000's
At 1 January	**138**	**(346)**	**138**	**(346)**
Net (losses)/gain from changes in fair value	(158)	484	(158)	484
At 31 December	**(20)**	**138**	**(20)**	**138**

29. Country by Country Reporting

Basis of Preparation
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. Application to strike off as at 30 September 2024, submitted during 2024.

Total turnover, profit before tax and average number of employees
Total turnover for the year ended 31 December 2024 was £20,300k (2023: £21,111k). 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 2024 was £3,839k (2023: £4,097k). Corporation tax paid during the year ended 31 December 2024 was £1,068k (2023: £1,812k).

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 2024 was 182 (2023: 182).

Public subsidies received
The Society received no public subsidies in the year ended 31 December 2024 (2023: nil).

Independent auditors' report to the members 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 2024 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 2024 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 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 company 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 correspondences 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 company'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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
4 March 2025

Annual Business Statement

Annual Business Statement for the year ended 31 December 2024

	2024 %	2023 %	Statutory limit %
Statutory percentages			
Lending limit	0.65	1.27	25.0
Funding limit	7.27	11.14	50.0

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

	2024 %	2023 %
Other percentages		
Gross capital as a percentage of shares and borrowings	6.48	6.50
Free capital as a percentage of shares and borrowings	6.06	6.03
Liquid assets as a percentage of shares and borrowings	19.63	24.33
Profit on ordinary activities after taxation as a percentage of year-end total assets	0.22	0.24
Management expenses as a percentage of mean total assets	1.19	1.14

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.

Free capital represents the sum of the general reserve, the revaluation reserve, the available for sale reserve and collective loss provision less fixed assets.

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.

Mean total assets is the average of the 2024 and 2023 total assets. Management expenses represent the aggregate of administrative expenses and depreciation.

Information relating to Directors as at 31 December 2024

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) Border to Coast Pensions Partnership
 **David Cheeseman** BSc 01/10/1968	Non-Executive Director	29/04/2021	Holloway Friendly Society Limited Amber River Group
 **Steven Clarke** BA, ACMA 27/11/1976	Building Society Chief Financial Officer	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 Asset Management Limited Leek United Home Loans Limited
 **Andrew Davies*** 03/08/1967	Building Society Chief Risk Officer	29/09/2021	None
 **Andrew Deeks** BA, MBA 18/03/1981	Building Society Chief Executive	26/09/2024	None
 **John Gibson** BSc 23/02/1961	Non-Executive Director	25/01/2024	None
 **Jane Kimberlin** BA 25/09/1959	Non-Executive Director	23/11/2016	Creaton Consultants Limited Creaton Community Benefit Society

**Andrew Davies left the Society on 31/12/2024*

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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